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THE SOCIAL CONTRACT

Vol. IV, No. 1 Fall 1993

This Quarter's Theme:

NAFTA and Immigration

NAFTA and Immigration From Mexico
Marshall Ingwerson

Immigration and Free Trade with Mexico
David Simcox

Considering the Short Run of NAFTA
Thomas Espenshade and Dolores Acevedo

Free Trade Agreement Won't Stem the Tide of Immigration
Harold Gilliam

NAFTA, Ponzi and Gresham
Garrett Hardin

Is Tenure Tenuous Under NAFTA?
John Tanton

PLUS
ESSAYS, OPINION PIECES, REVIEWS AND REPORTAGE ON:
population growth, international migration, assimilation, culture, and the environment.

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A STATEMENT OF PURPOSE

Just over two decades ago, concern over rapidly growing human population led to the development of the so-called "population movement" aimed at reducing the rate of population growth, both at home and abroad. At home, for a variety of reasons, birth rates fell sharply to sub-replacement levels. However, immigration grew steadily due, in significant measure, to the burgeoning population overseas. Today, human numbers world wide expand at about 10,000 per hour, a quarter of a million each day, 90 million a year.

The combined circumstances of low birth rates and high immigration pressures pose for all the developed countries the three most fundamental questions of immigration policy:

1. **How** many people shall we admit, and **what factors** should be taken into account in setting this limit?
2. **Who** should be chosen to immigrate, and **what criteria** should be used for choosing?
3. **How** shall we humanely enforce the rules we decide upon?

THE SOCIAL CONTRACT seeks to explore and illuminate these questions by publishing new material, and also by pulling together and reprinting existing works from many now-scattered sources. Our goal is to provide a periodical devoted to the interrelated topics of:

- **Human population** questions, including its absolute size, rate of growth, and distribution. In nations with low natural increase and high immigration, the latter is a significant component of population growth. (In an ideal world, policy on immigrant numbers would derive from a national population policy.)
- **Immigration policy**, especially as it relates to the three basic policy questions mentioned above: how many, who, and how?
- **Language, assimilation, and national unity** considerations, which in large measure derive from and are driven by immigration and assimilation policies.
- **The balance of individual rights and civic responsibilities** since, as with many issues today, population, immigration and language questions are often framed in terms of 'rights.' What is the proper balance of individual and community rights and interests?

Our method for approaching these connected issues is the time-honored concept of "The Social Contract." Most great public issues are basically moral and ethical ones: What is the right thing to do? How do we decide what we think is right? When 'rights' collide, which ones shall take precedence? The discipline of thinking through these issues in terms of a Social Contract allows one to achieve a balance: of individual and community interests; of the short and the long term; and of utopian idealism and the realities of the world in which we live.

But most importantly, THE SOCIAL CONTRACT is not a detached forum for discussion in some backwater of life. Our issues are all in the forefront of public policy discussions in the United States, which is our primary focus. Our Editorial Advisors are drawn from many of the main organizations trying to influence the course of policy in the issue areas we have chosen. Our journal is one of the tools they use to raise questions, debate themes, and communicate ideas — to encourage vigorous public debate and subsequent changes in our laws and public policies.

We invite you to take part in this Great Debate by reading and contributing to THE SOCIAL CONTRACT.

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THE SOCIAL CONTRACT

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NAFTA and Immigration

Editorial

In this issue of THE SOCIAL CONTRACT, we concentrate on the implications of the North American Free Trade Agreement (NAFTA) for U.S. population and immigration policy.

Let me try to state our position explicitly. We are concerned that under NAFTA as currently framed there will be a substantial increase in immigration from Mexico, and that this possibility should be forestalled by a specific side agreement. We have the same type of concerns that have already led to side agreements on environmental and labor matters. Several of the articles in this issue amplify these concerns.

First, the administration (as we go to press) is mounting the argument that NAFTA will discourage illegal immigration. In our lead article, Marshall Ingwerson contends instead that the "effect of NAFTA on immigration is neither clear nor simple to foresee." We agree with Espenshade and Acevedo (p.13) that the most likely effect in the short run, absent controls to the contrary, will be to *increase* immigration. Also to be considered: it is not usually the poorest of the poor who migrate, but those who have begun climbing the economic ladder. So another plausible effect of NAFTA may well be to give more Mexicans the financial means to migrate, as David Simcox and Harold Gilliam observe in their contributions.

Second, speaking as a farm boy who still keeps up a membership in the Michigan Farm Bureau, I'm concerned about how American agricultural prowess may dislocate millions of Mexican subsistence farmers, and where they will relocate. Perhaps history has something to teach us on this point. Senator Moynihan tells us on page 62 how a similar dynamic operated in Europe at the turn of the century, when American farm exports drove many people from their land. In the U.S., we are able to produce both the colored beans and the white corn that are favored in Mexico, and at about half the price that their farmers can. If those that are dislodged end up in the United States demanding bilingual education, health care, and other government services, on whose ledger will the expenses appear? Probably not NAFTA's.

Third, we also question whether the concept of a border for immigration purposes can be maintained even as the border for goods and services, information, monetary instruments and other items is eroded. In the European Economic Community (EEC), controlling the movement of people within the common external boundary is not even contemplated — there is free migration of labor among the twelve member-countries, and they are working toward a common EEC passport. This is feasible because all these countries have roughly the same demographic regime: low birth rates and stable populations.

In its submission to the Uruguay Round of the GATT talks, Mexico wrote: "[t]he expansion of the service exports of developing countries and their increased participation in world trade in services depends on the liberalization of cross border movement of personnel covering unskilled, semi-skilled and skilled labor, and such effective access to markets for their service exports can mainly be realized through this mode of delivery." This unacceptable concept is present in NAFTA, but in muted form (see the fourth point below).

Isn't this the camel's nose under the tent? After all, moving U.S. jobs to Mexico or moving Mexicans to jobs in the U.S., while not equivalent, are pretty much two sides of the same economic coin. How long will it take before someone points out the *irrationality* of controlling migration while all else is opening? Eliminating the immigration stricture (weak as it is) would set us up as the population escape valve for Mexican fecundity — and for anyone else in Latin America who could pass through Mexico. None of the developed countries can or will tolerate mass exports of surplus people from the Third World, as events from around the globe are now showing.

Fourth and finally, NAFTA explicitly starts nibbling away at our immigration laws, as detailed on page 20. Chapter Sixteen of the agreement covers "Temporary Entry for Business Persons." What is "temporary?" It is defined in the agreement as "entry into the territory of a Party by a business person of another Party without the intent to establish permanent residence." That couldn't be much more open-ended! Only as to "professionals"

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(see the list on page 21), are there any numeric limits. However, in establishing these numeric limits "the Party shall consult with the other Party concerned," and shall "take into account the demand for temporary entry," and after "three years, shall consult with the other Party concerned with a view to determining a date after which the limit shall cease to apply." In other words, it is to be a demand-driven immigration policy without numeric limits.

We conclude from all this that NAFTA, in its current all-or-nothing/take-it-or-leave-it form, should be left. The Bush Administration set itself up for this outcome when it insisted on fast-track negotiations which allow for no amendments. NAFTA should be voted down, to be taken up again only in a debatable and amendable form that will better reflect the interests and the time-honored political practice of the United States — that of full, free, and open debate among our elected representatives, with the chance this offers for public input.

Persons with a special interest in trade issues and immigration from Mexico may wish to look at Vol. II, No. 2 of THE SOCIAL CONTRACT, entitled "Immigration and Free Trade With Mexico," Fall 1991. Copies are still available from our office at $7.50 postage paid.

John Tanton
Editor and Publisher

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Letters to the Editor

Editor:

I enjoy reading THE SOCIAL CONTRACT and find it a serious journal, balanced and forthright. I would like to raise an issue that may warrant examination in future issues.

SOCIAL CONTRACT readers may like to know how U.S. institutions of higher education are complicit in supplanting American citizens and installing foreign students and faculty.

Foreign students who enter U.S. universities under F-1 visa status are supposed to return to their home countries when they complete their education. Many times, however, this is not the case. Even those professionals within the university systems who often aid the students in taking advantage of lax U.S. regulations (the foreign student advisors) are questioning the ethics of contributing to the continued influx of foreigners into the U.S. university and labor market:

> *We must not lose sight of the goal of international education inherent in the definition of exchange. The pendulum has swung far to the side of nonreturn, a position that favors the interests of U.S. businesses and educational institutions. The F-1 student visa regulations as they now stand are biased in favor of international students remaining in the United States to work. For example, practical training — which is meant to prepare a student for home country employment — has become a well-worn stepping stone to H-1 status and permanent residence. New immigration regulations will only magnify the reentry problem. Can we call ourselves international educators when we support a one-way flow of talent ... Should we be satisfied that international students are getting good positions in U.S. hospitals, universities, engineering firms, and so on, while their home countries are combatting environmental pollution, AIDS, lack of schools, and numerous other problems with ever scarcer resources? Should we be satisfied that we are dealing with a crisis in science and technology teaching by recruiting foreign graduate students while secondary and postsecondary education founders and U.S. minorities suffer high unemployment?* (Robert Brzozowski in *International Educator*, Vol. 1, No. 2, p. 13.)

Teaching jobs within the university system are also subject to this influx. When carrying out a search for a particular position, foreign academics are supposed to be hired *only* when a qualified American cannot be found. In practice the search requirements are so cursorily carried out that the hiring of the favored foreigner is almost always assured, or very rarely challenged. This occurs at private institutions as well as land-grant universities — institutions established and supported by U.S. taxpayer dollars.

Meanwhile, the European Community moves ever closer to implementing the "freedom of establishment" for individuals from one member state wishing to work or reside permanently in another state. Will this effectively block U.S. academics (or other workers, for that matter) from working in EC educational institutions? The doors of U.S. universities and businesses, however, continue to be wide open to the world.

The United States government is a player in this scenario. The Fulbright scholarships, paid for largely with taxpayer funds and administered by the U.S. Information Agency, grants a number of scholarships to foreign students. The "two-year return" policy, instituted so that the skills acquired by the student will be used for the benefit of his or her home country, can be waived with the concurrence of the USIA. (It would be interesting to know how many of these scholars actually do return. In any case, two years after their return to their home countries, they are free to apply for an immigrant visa to become a permanent U.S. resident or citizen.) In addition, U.S.-based program agencies hired to administer the academic programs of the U.S. government foreign scholars also help them arrange "practical training" at the end of their academic studies — that is, employment with a U.S. business, at 100% of the wage of U.S. citizens in similar jobs. With these incentives, why would a foreign scholar want to return to his or her home country?

Responding to a supposed "labor shortage" of scientific workers (the same erroneous rationale used to increase immigration to the U.S. in the 1980s), the U.S. Labor department has announced its intention to

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make hiring of foreigners as easy as for university administrators as the hiring of American citizens. Several U.S. professional associations of scientists strongly deny that any such shortages exist.

In sum, real or imagined shortages of workers and academics in the U.S. are being used to allow an influx of foreign workers. Such shortages can and should be addressed by intensified training of our own citizens and investment in bettering public schools. As the situation exists today, U.S.-born minorities such as African Americans, who trace their ancestry in our country back for generations, as well as poor whites, continue to slip behind economically and educationally.

A situation of our own making allows foreigners to reap the benefits of our society, while our laws aid and abet them in shirking their responsibility to make a contribution to their own countries of origin.

[Name withheld by request.]

Editor:

The last issue [Summer 1993] of **THE SOCIAL CONTRACT** is the best ever. I put it as bedside reading for my house guest... She said she read it all. She wanted to take it home with her to copy and send back. I gave it to her. I had clipped in the back several good recent columns. Bonus.

Sincerely,
Martha Ragland
Nashville, TN

Editor:

Re: **THE SOCIAL CONTRACT**, Spring 1993 issue. Great issue. We especially liked the help you give us for answering some of the arguments... we get from people who prattle on about social justice...

In various ways throughout the issue authors are asking what appears to us to be the two most important questions: (1) why have the media failed to make the connections? and (2) will our government wake up? ...Our job is to get the average person to talk about these problems, and not to feel guilty or cowed or silenced or intimidated... Currently so many non-citizens are demanding their "rights" that our system already shows signs of collapse. Lance Izumi and Alan Nelson have made some excellent suggestions in "How California Can Lead the Way." Will [President] Clinton and our DC legislators pay attention? Perhaps they are paying too much attention of the media who, for reasons best known to themselves, refuse to print much on our issues.

Elaine Stansfield, Director
Save Our Earth
Los Angeles, CA

Editor:

I just want to tell you that the two pieces by Sir James Goldsmith and by Peter Brimelow [Vol. III, No.4, Summer 1993] were both superb.

I am not opposed to either migration or free trade. However, migration must be selective and so moderated as not to swamp the country of destination, prevent assimilation, increase the underclass or blur national identity.

As for free trade, I agree with Sir James that economic advantages — of which he sees fewer than I do — must be balanced against possible social dangers. However, despite practically permanent negotiations I doubt that free trade, unlike immigration, will reach a dangerous level. Too many interest groups oppose it.

Thank you for two brilliant and stimulating articles.

Sincerely yours,
Ernest van den Haag
New York, NY

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The Christian Science Monitor *was one of the first newspapers to take a serious and balanced interest in immigration issues. This article, reprinted by permission from the August 31, 1993 issue, is an example of their even-handed approach.*

NAFTA and Immigration From Mexico

By Marshall Ingwerson

President Clinton has returned to town to finish a task begun by George Bush. One of the most pressing matters on Mr. Clinton's fall agenda — pressing because of a January 1st deadline to implement the pact — is passing the North American Free Trade Agreement (NAFTA).

NAFTA was envisioned and negotiated by then-President George Bush, and the Republican roots of the agreement are showing. As Clinton returned to town, he was greeted by a warning on a Sunday talk show from Rep. David Bonier (D-MI), the House majority whip, that two-thirds to three-quarters of House Democrats will oppose NAFTA. Most Republicans in both chambers favor it.

Democratic support for NAFTA is weakened by concern that American jobs and environmental standards will be undercut by Mexican competition. But the politics of NAFTA also tap another issue with rising power, one that some political analysts and strategists foresee as a dominant concern in the 1990s — immigration.

In a United States where middle-income jobs feel increasingly insecure, the urban underclass seems increasingly volatile and alienated, and traditional Anglo-American, middle-class culture is increasingly on the defensive, politicians are increasingly seeking ways to control American borders.

One selling point for a free-trade agreement with Mexico has been that it would make Mexico more prosperous and gradually cut the incentive for Mexicans to seek work in the U.S., where wages are nine times higher on average. Mexicans form the largest group of immigrants to the U.S., and gauging by the legalization programs of the 1980s, they account for about 75 percent of illegal immigrants.

But the effect of NAFTA on immigration is neither clear nor simple to foresee. Most economists who have set up forecasting models indeed see substantial long-term benefits to the Mexican economy that would eventually stem the flow of Mexican workers into the United States. But it is likely to take 5 to 15 years for that effect to become significant.

In the meantime, NAFTA may actually increase emigration from Mexico.

American grain and corn farmers produce for roughly half the cost per ton of small-scale, inefficient Mexican farmers. Those Mexicans are widely expected to be among the first economic casualties of NAFTA. Once displaced, many may head north and begin the traditional climb into the American economy as farm workers.

"Mexicans form the largest group of immigrants to the U.S., and gauging by the legalization programs of the 1980s, they account for about 75 percent of illegal immigrants."

Another possible source of increase is that Mexican production geared for U.S. markets is likely to develop along the country's northern border, bringing workers into the orbit of the lucrative U.S. job market. Illegal immigrants have often moved first into growing Mexican border cities such as Tijuana and then continued north either permanently or on a seasonal basis.

One study, commissioned by the National Commission for Employment Policy, an independent federal agency, estimates that NAFTA would add "at most" 100,000 Mexicans a year to U.S. immigration flows through the 1990s. Of those, about 10,000

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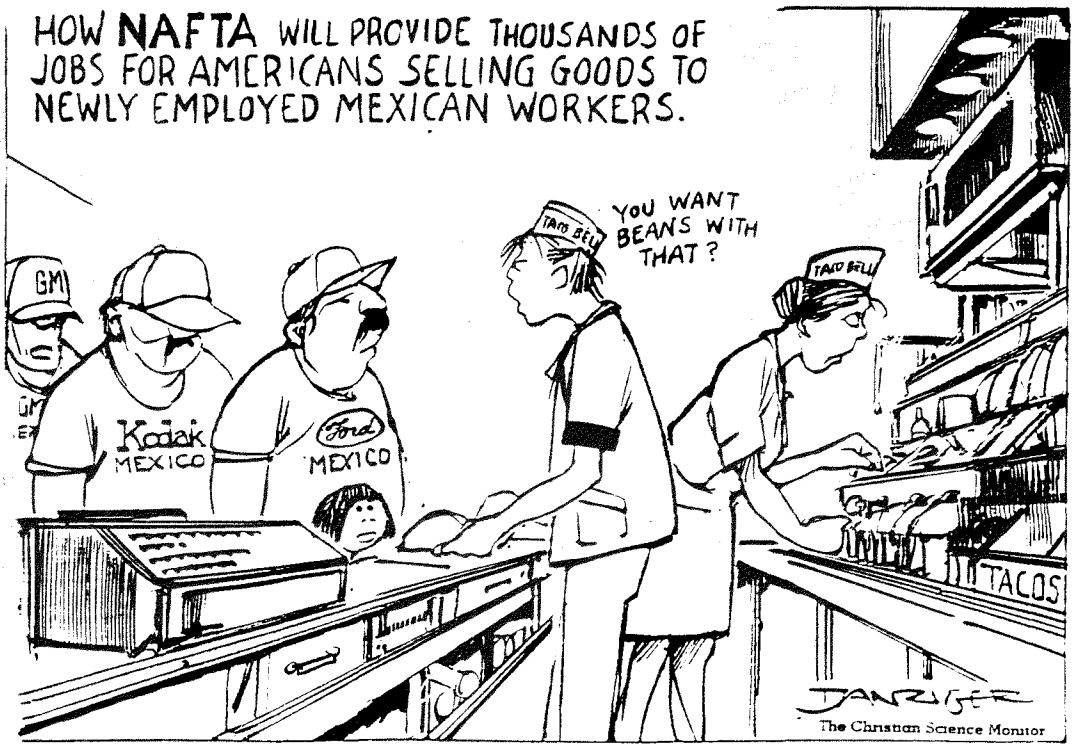
would stay to become permanent residents each year, based on past trends. NAFTA, therefore, could add 800,000 to 1 million illegal Mexican immigrants over a 5-to-15-year period, according to the study. At some point, economic growth in Mexico and relatively complete adjustment to an open economy would be expected to neutralize the incentives for Mexicans to emigrate. In the first decade of the next century, Mexican immigration would decline, according to the study.

Some other studies are more optimistic about NAFTA's effect on cross-border migration. A study for the U.S. International Trade Commission estimates that if NAFTA causes no economic growth in Mexico, American competition will drive a cumulative total of 610,000 Mexicans north into the U.S. over the course of many years. But if American investment in Mexico is substantial and agricultural trade barriers erected by Mexico are phased out slowly, then immigration would decline slightly under NAFTA from the beginning. The ITC study estimates a decline in Mexican emigration to the U.S. of about 2,000 people a year under this scenario.

All these forecasts are set against current trends of high illegal immigration from Mexico, a country that is already working to open its markets and reform landownership policies.

Some NAFTA advocates warn that if the agreement is scuttled, Mexico will not simply hew to the same course. Instead, the free-trade forces that hold sway in Mexico right now might lose credibility and confidence in American support.

NAFTA is already under way in practice in Mexico, says Hoover Institution senior research fellow William Ratliff. Bùt it is running on anticipation and general understandings. If the agreement is not set down in law soon, he says, the trend toward openness could reverse in Mexico. "The amount of illegal immigration, if things fall apart in Mexico, is going to go up astronomically. And other governments in the hemisphere are watching what we do in Mexico." ■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David Simcox, formerly executive director of the Center for Immigration Studies, is currently based in Louisville, KY where he does research in population, migration and labor force issues while working on a Ph.D. at the University of Kentucky.

Immigration and Free Trade with Mexico: Both Nations Could Benefit from Tighter Migration Controls

By David Simcox

The North American Free Trade Agreement, at least in its early stages, will increase Mexican immigration to the United States, not slow it. As the Commission on International Migration and Cooperative Economic Development first found in 1990, greater prosperity in Mexico would give many would-be migrants the means of covering the costs of migration. Increased job opportunities in Mexico will only slightly offset the urge to migrate, as the gap between wages in Mexico and prospective earnings in the U. S. will remain wide.

Economist Peter Morici of the National Planning Association notes that even if we assume a strong Mexican peso, along with Mexican real wage growth that is four percent a year higher than in the United States — two heroic assumptions — Mexican wages would only reach forty percent of U.S. levels after eighteen years, and 80 percent in 36 years.

"...the growth of perishable crop plantation agriculture within Mexico will increase the numbers of Mexican farm workers migrating ... many of whom will end up in the United States."

Mexico also has an immense queue of chronically underemployed workers to absorb. Mexico's labor force grew by more than three percent annually in the 1980s, adding some 900,000 job seekers each year. One million a year are joining the labor force in the 1990s. Mexico's bleak economic climate in the 1980s limited the creation of new full time wage jobs to no more than half the growth of the labor force. Underemployment is also estimated to afflict as much as 40 percent of Mexico's labor force of 30 million people. While Mexico's economic growth now hovers at a respectable four percent, employment is still growing one third slower than the growth of the labor force.

Free Trade and Disruptions in the Mexican Labor Market

At the outset, free trade will stimulate disproportionate unemployment in particularly vulnerable Mexican sectors, such as its inefficient grain farmers, creating additional candidates for migration. While Mexican perishable crop agriculture is expected to expand its share of the U.S. market under free trade (with accompanying displacement of citizen and immigrant workers in those sectors in the U.S.), the growth of new jobs in that sector in Mexico would only slowly and incompletely absorb workers displaced in other farm sectors. Some experts, such as agricultural economist Phil Martin, note that the growth of perishable crop plantation agriculture within Mexico will increase the numbers of Mexican farm workers migrating toward northern Mexico, many of whom will end up in the United States.

Another sector of Mexico's economy likely to shed workers under free trade is those industries where featherbedding is commonplace, particularly the state-owned enterprises. Free trade will intensify the current emphasis on market forces in Mexico, speeding the closing, privatizing and downsizing of white elephant public sector firms. Some of those workers released will opt to emigrate. Mexican private sector industries may face tough adjustment problems that increase layoffs in the short- to mid-

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term. A poll in the fall of 1991 by Mexico's National Confederation of Chambers of Industries showed 48 percent of their members felt that U.S. and Canadian competition could hurt their industries; 29 percent felt they would not survive the competition.

Migration Driven by More Than Earnings

Non-economic forces impelling Mexican emigration will persist. The lure of family, friends and ethnic communities in the U.S. will not end with free trade. More likely, these social networks will expand and continue to draw thousands of new migrants even as the job outlook in Mexico improves. Some 2.5 million formerly illegal Mexican aliens legalized since 1987 will start becoming eligible for U.S. citizenship in 1994, and for the right to bring in spouses, parents and children without limits.

Free trade can also be expected to create new psychological and social perceptions in Mexico that could stimulate more migration. The beginning of free trade — a loosening of the economic border with the United States — will be an historic break with the past in Mexico's economic philosophy and its relations with the United States. This new relationship with their northern neighbor will be highly visible to Mexicans, further expanding their perception of the United States as Mexico's "metropole," making them more aware of the United States as an option for residence and work, and creating the notion that the free trade agreement has somehow invalidated the border or created an entitlement to live in the United States.

"This new relationship [would create] the notion that the free trade agreement has somehow invalidated the border or created entitlement to live in the United States."

Mexico's management of its own immigration will be a factor in determining future outflow. A key question will be the extent to which trade-generated jobs in Mexico will become a magnet for additional illegal settlement of Central Americans, whose nations now have even faster population and labor force growth than Mexico and, for now, even dimmer economic prospects. Left uncontrolled, Central American and Caribbean migrants in Mexico may well compete seriously with Mexicans for jobs. Under the Salinas administration, the Mexican government has shown greater appreciation of the costs of job competition and has quintupled deportations of Central Americans since 1988.

Immigration Consequences over the Long Term

The long term effects of free trade in slowing immigration are just that — long term, and still mostly speculation. Such speculation identifies a number of positive prospects from free trade that might ease future immigration pressure:

- By tying Mexico more closely to the United States and stimulating a market economy, free trade could increase political stability. The ultimate immigration "nightmare scenario" of millions fleeing political and economic turmoil in Mexico recedes.
- Increased stability and a more hopeful political environment would encourage many Mexicans to see their futures as being lived there rather than here.
- Free trade will further spread U.S. culture and lifestyle within Mexico, along with U.S. products and services. A likely by-product will be even greater receptiveness to controls on fertility and greater access to the needed means for family planning.
- As the imbalance between workers and jobs in Mexico decreases, the Mexican government will be more inclined to regard labor as a valued resource to be prepared and deployed rationally, rather than continue to tacitly encourage it to leave the country.
- Free trade and investment will favor the transfer to Mexico of some labor-intensive, low productivity industries, some of which formerly survived in the U.S. through low-cost foreign labor or through under-enforcement of environmental and safety regulations. Industries at risk include perishable crop agriculture,

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apparel, furniture, glass, and auto parts — some of which are immigration magnets.

- Much of the increased U.S. and other non-Mexican investment spurred by the free trade agreement can be expected initially to concentrate in northern Mexico and the border area. In the short run, the accompanying build-up of population and job-seekers near the border will further spur unlawful entry. But with time, more remote regions of Mexico, where labor and support services are cheaper, will draw a greater share of the investment and jobs. Over the long term northern Mexico's status as an immigration "springboard" will diminish.

Double Jeopardy for American Workers

Free trade is likely to disrupt the lives of semiskilled job holders in U.S. light manufacturing, the service sector, and perishable crop agriculture. Another particularly vulnerable sector is retail trade catering to Mexican customers at or near the Mexican border. Free trade would disrupt labor markets and impose hardship on these cities and towns. More immigration from Mexico could become an additional, particularly untimely disruption in those troubled industries and communities.

The most obvious and often cited danger to American workers is the transfer of existing U.S. manufacturing jobs to low-wage Mexico. Free trade will eliminate more of the existing requirements on content, U.S. sourcing of components, and other conditions that until now have acted as a brake on the transfer of jobs across the border to *maquiladoras*. But a possibly more serious threat to American jobs is the prospective diversion of future U.S. and foreign capital investments to Mexico, capital which otherwise would have gone to the United States.

American workers could thus find themselves in the worst of all possible circumstances: the continued drain of low-skill jobs to Mexico; the gain of relatively few high-skill jobs from exports to Mexico; and the continued influx of Mexican workers into low-skill industries and service occupations in the United States.

Rapid expansion of industries in Mexico has implications for the quality as well as the quantity of northbound migrants. As job opportunities grow in Mexico, employers are likely to hire first the most skilled and adaptable among the unemployed and underemployed, leaving the less skilled to seek work in the farms and service industries of the United States. This process will adversely affect productivity, wage levels and the cost of public services in migrant-impacted areas of the United States.

A Shared Interest in Managing Migration in Both Countries

Clearly, resident U.S. workers in a range of occupations and industries face labor market disruptions. Many of the workers most at risk in the adjustment process will themselves be settled immigrants or native born minorities. The workers most vulnerable to displacement are often the least able because of low skills to make that transition easily. Many of them could be displaced into the service sector, where they will face the prospect of competing for low skill, low wage jobs with disadvantaged immigrants.

"A free trade agreement will require more effective immigration control, not less, in both countries."

A free trade agreement will require more effective immigration control, not less, in both countries. For the United States, the volume of future immigration will be a determinant of the success or failure of less skilled resident workers in adapting to changed labor market conditions. The adjustment of U.S. workers to the intense competition of low-wage industries in Mexico would be eased by reducing the competition from low-wage Mexican and Central American migrants here in the United States.

At the same time, a free trade regime will increase Mexico's own stake in controlling the outflow of its workers. Mexico's primary comparative advantage in attracting major foreign investment, and in keeping its products competitive in the U.S. and Canadian markets, will remain its low wages. Continued easy access of Mexican workers to jobs in the U.S. through uncontrolled emigration, while

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depressing U.S. wages in impacted areas, simultaneously puts upward pressure on wages in northern Mexico, as Mexican employers are forced to compete for labor with U.S. employers. Although Mexican leaders can hardly acknowledge it, a successful strategy of a looser border with the U. S. for trade purposes makes desirable a tighter border for migration to lessen imported wage pressures.

Immigration and related labor and manpower issues are critical to any negotiations of the terms and conditions of free trade. U.S. and Mexican negotiators must address them either in the trade talks themselves or simultaneously in separate high level bilateral forums. The United States has considerable leverage. Free access to the greatest single market in the world is a major concession that justifies accommodations by Mexico to U.S. needs for curbing illegal immigration. Armed with major trade benefits from the U.S., Mexico in turn would be able to justify politically difficult concessions on immigration control to its own public.

The United States must seek continuing and consistent cooperation from Mexico in the following practical border enforcement concerns:

1) *Assistance in detecting and apprehending smugglers of illegal aliens, who violate both nations' laws, through greater sharing of information, coordinated police work and cooperation in prosecution.*

2) *A crack-down within Mexico on wholesale counterfeiting of U.S. work authorization documents, and greater information sharing about document forgery rings in Mexico and Central America.*

3) *Aid from Mexican officials in discouraging reentry into the U.S. of Mexican citizens and third country nationals who have been deported from the U.S.*

4) *Tight curbs by Mexican officials on the transit of Third Country illegal aliens through Mexico.*

In general terms, the United States must press Mexico to begin enforcing its own dead-letter laws on immigration and trans-border travel. Since the 1950s, Mexican spokesmen have disingenuously claimed that the government cannot abridge the constitutional right of its citizens to leave their country. But Mexico's constitution and laws, just as U.S.laws do, prescribe the conditions under which Mexicans may enter and leave the country — conditions that are now ignored by millions.

Migration of Mexican citizens is governed by the *Ley General de Poblacion of 1974* (General Population Law), most recently amended in 1990. That law forbids surreptitious entry into neighboring nations and defines elaborate documentary requirements for its citizens who seek to travel and work abroad.

Better Enforcement of Labor, Safety and Environmental Standards in Both Nations

The United States must also show it is determined to enforce its own labor, safety and related immigration laws, particularly in those industries most in competition with Mexican producers. Industries already beset by low labor and safety standards will seek to survive under free trade by more use of "sweatshops" employing illegal workers. The nation gains little from preserving such industries. Since free trade gives U.S. low-value-added entrepreneurs access to cheap labor in Mexico, it makes less sense to continue subsidizing those firms here through tolerated illegal immigration or temporary worker arrangements.

Conclusion

Under free trade, the U.S. and Mexico as never before share a common interest in keeping Mexico's workers in Mexico. Mexico's large pool of available, inexpensive and adaptable workers is its premier comparative advantage; for U. S. and other prospective multinational investors or importers, Mexico's labor reserve is the major attraction of a free trade agreement. The United States has an additional interest in shielding its own least-skilled workers in vulnerable industries from the competition of imported workers at a time when free trade will cause its own disruptions and displacement. For Mexico: high labor, safety and environmental standards, and greater workplace democracy will increase the rewards of jobs to Mexican workers who might otherwise migrate, and will improve the quality of life for all Mexicans. ■

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Thomas J. Espenshade is professor of sociology and Dolores Acevedo is a doctoral candidate in international affairs at Princeton University's Office of Population Research. *This opinion piece is from* the New York Times Large Print Weekly, *September 20, 1993.*

Considering the Short Run of NAFTA

By Thomas J. Espenshade and Dolores Acevedo

When Bill Clinton picked William M. Daley to lead the effort to sell Congress on the North American Free Trade Agreement, he plugged NAFTA as a way to reduce illegal immigration from Mexico.

The argument is either disingenuous or uninformed: during his tenure in the White House, NAFTA is likely to result in more illegal immigration, not less.

"Most immigration experts agree that greater parity in living standards between Mexico and the U.S. is the only long-tern solution to illegal immigration."

This is no reason to oppose the trade pact. In the long run, NAFTA should curb undocumented migration. But if the short-term effects of the agreement aren't acknowledged, NAFTA's opponents are likely to use a rise in illegal immigration as a reason to overturn it. What has been lost in the debate over NAFTA is a crucial distinction between the short- and long-term consequences of economic development for migration between Mexico and the U.S. In the long run, economic development in Mexico is likely to weaken pressures for illegal migration to the U.S. But in the short run, NAFTA could have just the opposite effect.

Most immigration experts agree that greater parity in living standards between Mexico and the U.S. is the only long-term solution to illegal migration.

But in the short term — the next 5 to 10 years — NAFTA could increase the number of undocumented workers migrating into the U.S.

Economic development in Mexico's agricultural sector will probably promote greater privatization and consolidation of land holdings, which will displace rural workers from traditional sources of employment. These dislocated workers are most likely to migrate to urban areas in Mexico or to the U.S.

Corn is Mexico's most important crop, in both acreage and rural employment, and is especially vulnerable to trade liberalization. Corn now benefits from a price support to growers that is 70 percent above the world price. If NAFTA is approved, the elimination of this price support, combined with the greater efficiency of U.S. corn production, is likely to increase unemployment in Mexico's corn industry, leading to greater pressure for migration.

NAFTA will probably stimulate the creation of jobs in the Mexican fresh fruit and vegetable sector, in which Mexico has a comparative advantage over the U.S. While this may offset the job losses in the grain sector, illegal immigration could still increase. In some states in northern Mexico, more than half the labor force in export agriculture comes from states farther south. Poorer workers from these states are given a job and free transportation to within 200 miles of the U.S. border, and from there they are able to make contacts and find work illegally inside the U.S.

We estimate that doubling Mexican wages and halving unemployment rates will lower undocumented U.S. migration by nearly 40 percent. ■

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Harold Gilliam has been an environmental writer for the San Francisco Chronicle *for 30 years and has written several books on environmental topics. This essay was part of an article that appeared in the "This World" section of the* Chronicle *on February 21, 1993 — the other portion of which we reprinted in our Summer 1993 issue.*

The Free Trade Agreement Won't Stem the Tide of Immigration

By Harold Gilliam

There is a politically correct but pragmatically dubious way to minimize the flow of immigrants into the United States: Simply remove the magnet that attracts the immigrants, the enormous gap between affluence in the United States and poverty in the developing world, where most of the immigrants come from. The gap could be eliminated by lowering U.S. living standards, which almost nobody wants, or raising the incomes of developing countries.

In the long run the argument to close the gap has some merit, but how long is the long run? How many years — or generations — would it take to narrow the affluence gap until potential immigrants are no longer attracted to the United States? And how could it be accomplished?

NAFTA, the proposed North American Free Trade Agreement, approved by the Bush Administration but not yet ratified by the Congress, has been touted as a step in that direction. It would remove trade barriers between Canada, the United States and Mexico. Get rid of tariffs or duties on Mexican goods imported to the United States and American goods going south, the argument goes, and you make it far more attractive for U.S. entrepreneurs to build plants in Mexico, employing local workers who would then be unlikely to migrate to the United States. Those workers would buy more U.S. goods, stimulating employment here.

That's the argument. It relies on classical economic theory, which unfortunately doesn't always work the way seminal free-market economist Adam Smith thought it should.

The method has been tried on a pilot basis by creating free-trade zones south of the border, around Tijuana, for example, the *maquiladora* enterprises. The returns are not all in, but scores of American manufacturers have moved their operations south of the border to take advantage of low, Mexican wages (and fewer environmental regulations), leaving behind idle plants and unemployed workers in the United States, many of them recent immigrants.

It's hard to blame the manufacturers for trying to minimize their expenses. A typical case is the maker of plumbing equipment in Los Angeles who was paying his workers $6 per hour but decided to relocate across the border in Tijuana, where he pays $1 an hour to Mexican workers and sends his products back across the border — without paying duties — at a better profit. Adam Smith-wise, the Mexican workers should then be able to buy U.S. goods and thereby stimulate re-employment of the workers fired in Los Angeles.

"...it is understandable that Latino Californians in large numbers have participated in demonstrations against NAFTA, fearing that their employers would relocate south of the border..."

Some NAFTA backers maintain that free trade would so increase the Mexican imports from the United States that 130,000 jobs would be created here. That argument is hard to follow. How many U.S. goods would the $1-an-hour workers be able to buy? In time their wages might rise, but in how many years and by how much? We can only speculate.

Meantime it is understandable that Latino Californians in large numbers have participated in demonstrations against NAFTA, fearing that their employers would relocate south of the border,

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leaving them jobless. As the *The Wall Street Journal* pointed out, opposition to NAFTA is rising, largely from a broad, growing grassroots movement consisting of labor unions, environmentalists, consumer groups and farm organizations under the umbrella Citizen Trade Campaign.

Environmentalists fear that NAFTA's free-trade policy, like that of GATT (the General Agreement on Tariffs and Trade, a sort of a global NAFTA), would undermine U.S. environmental standards. They cite a GATT ruling claiming that the U.S. Marine Mammal Protection Act (which prohibits import of tuna caught by methods that kill dolphins and other marine mammals) is a "trade barrier" illegal under GATT.

Under NAFTA the United States could not limit imports of a product because of the way it was produced, such as the use of giant drift nets that destroy legions of marine life. The United States prohibits certain carcinogenic additives and pesticide residues in food to be sold here; NAFTA critics claim that for imported food these laws would have to be weakened to be consistent with NAFTA's lower standards.

Mexico has legal environmental requirements, but an investigation by the GAO in August found that not a single U.S.-owned plant inspected in Mexico was complying with even those lower standards, which are simply not enforced owing to the government's inability to pay for inspections and follow-up. U.S. manufacturers at home, held to higher standards, would suffer a competitive disadvantage, inducing them to move south, leaving idle factories at home.

These, whatever their merits, are some of the environmental arguments against NAFTA as it stands. It is encouraging that President Clinton has decided to review these objections before asking the Senate to approve the treaty.

In any case, there is room for serious doubt that NAFTA would do much to stem the flood of immigration. ■

Medical Costs for Immigrants

Immigrants cost money; so why should illegal aliens, in particular, be paid for? The question comes from California, struggling with deficits and downturns, which also bears the brunt of legal and illegal immigration into the United States.

Pete Wilson, California's governor, is asking the federal government for $1.4 billion this year to pay for immigrants' medical costs. A different solution comes from the legislature, which is facing a host of proposals to withhold benefits from illegal immigrants. One bill wants to deny them driver's licenses; another would bar them from workers' compensation insurance if they are hurt on the job; a third seeks to keep the children of illegal immigrants out of the state's public schools.

This last is a lost cause: the Supreme Court ruled, in 1983, that children of illegal immigrants had a right to an education in America. But one state regulation, passed as part of last year's budget, warns doctors and hospitals that they will not be paid under MediCal, California's version of Medicaid, if they give anything more than emergency treatment to illegal immigrants.

The law recognizes two exceptions: kidney dialysis, and care in pregnancy and labor. In every case, it requires doctors and nurses to find out the status of their patients. Many feel that this turns them into an arm of the police; but state officials, keeping an eye on California's $3.2 billion budget deficit, say the law will save $115 million out of the expected $15 billion in MediCal costs over the nest two years.

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NAFTA, Ponzi and Gresham

Can There Really Be a Free Lunch?

By Garrett Hardin

The polls show that when it comes to the proposed North American Free Trade Agreement — NAFTA — the public is divided, with quite a few still undecided. Judging from press reports, most economists seem to be for NAFTA. Since "free trade" has been something of a sacred term —like mom and apple pie — for nearly two centuries, a total polling would no doubt show very few economists who are against it.

I know that only economists are supposed to be experts on trade, but I — like the legendary bystander in an Irish brawl — respectfully ask, "Is this a private fight, or can anyone join in?" I think that science, particularly ecology, has some useful insights to offer.

In science all truths are welcome, but (as Orwell might have put it) some truths are more welcome than others. And more powerful. In physics the principle of the conservation of energy is such a truth. A heavy burden of proof is placed on anyone who asserts its contrary. In economics, the assertion that "there's no such thing as a free lunch" has a similar prestige. Like most negative statements, it cannot be totally proved. A wise economist dismisses the claims of "free lunchers" without a hearing — just as physicists refuse to examine the blueprints for a perpetual motion machine.

A salesman, though he may have taken a course in economics, is not likely to discuss free lunches. Remember Charles Ponzi? He took nearly ten million dollars from 30,000 people in 1920 by promising to pay them 50 percent interest on their money every 45 days. Investors who lost faith in this free lunch were paid off with proceeds taken from new borrowers — until the supply of new suckers ran low, at which point the whole scheme collapsed.

I think Ponzi would be proud of NAFTA salesmen. With a straight face they tell us that dissolving the economic border between Mexico and the United States will increase employment and prosperity in *both* north and south. Goods will be sold cheaper in the north, wages will rise in the south, and somehow unemployment will eventually cease to be a problem everywhere. (I'm worried about the "eventually" — it sounds too much like Ponzi). NAFTA, we are assured, is a "win-win" strategy; it creates a plus-sum game.

The promise of a free lunch should always be suspect. However, an empirical argument can be advanced for the reality of free lunches in the industrialized world. Because of technological advances during the past two centuries, there are more people now *and* the people are richer. (Malthus would be surprised to learn this; Ponzi would say, "Of course!")

Keenly aware of this history, economists often succumb to non-conservative thinking. Astronomers in an earlier day, when they could not explain aberrations in the movements of the planets with conservative mathematics, discovered they could "save the phenomena" by postulating unlimited "epicycles." It took Newton to find an uncluttered way out of the confusion. Two centuries later, economists, facing a similar failure of conservative theory to subsume all the facts; invented "externalities" and "side effects." Like epicycles, these are rhetorical smoke screens for non-conservative thinking.

Expanding the Balance Sheet

The accounting problem was solved by ecology, which is a sort of total economics. The balance sheets of ecology include not only human beings and their artifacts but also everything on earth, whether or not we have (at the moment) learned to adapt the resources to human use. Civilization+technology seemed at first to set in place a plus-sum game; but it really is a zero-sum game in which significant

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elements are moved from areas ("nature") beyond the purview of traditional economics, to columns inside the human accounting system. When nature is included in the total accounting system, thinking becomes conservative.

The changeover to conservative thinking typically takes place in two steps. In the first step, formerly ignored elements are called "externalities," and the illusion of free lunches still distorts the view. In the second step, it is admitted that there are no true externalities — and there are no free lunches.

Since this revolution in accounting is so recent, many a fat government report is written in the old mode. The initial NAFTA report is an example. The 2,000-page document took almost no account of such elements as child labor, dangerous working conditions, air and water pollution, the bargaining rights of labor, and the many devious ways of transferring the true costs of production to a non-consenting public.

"To argue that 'eventually' some acceptable new equilibrium would be established is to call for faith in 'pie in the sky.'"

Many public interest groups then entered the NAFTA fray. Advocates of clean air and water did not want to see American pollution standards lowered to make our industry competitive with foreign industries which are held to poorer standards. Human rights advocates cried out against admitting products manufactured by children or by laborers denied the right to strike. The specific points of disagreement with NAFTA were many. What they all added up to was a call for imposing environmental impact studies (EIS) on foreign industries. Charles Richey, a U.S. federal district judge, agreed that it was reasonable to impose national environmental standards on international commerce. [Ed.note: This was just reversed on appeal.]

Spokesmen for foreign governments objected. How could any people who cherish national sovereignty consent to surrender their sovereignty in environmental, labor and civil rights matters to outside bodies? Why should patriotic Mexicans and Canadians consent to have their standards and values brushed aside by the economic colossus sandwiched between the two countries?

The proponents of NAFTA are nothing if not energetic. Back to the conference table they went, and in August, they came up with their own "epi-cycles," a bouquet of "side agreements" designed to quiet the critics. Mickey Kantor, the U.S. trade representative, promised that the agreements "will unleash economic growth throughout the Americas while raising environmental and labor standards." Win-win. A plus-sum game. A free lunch.

Bad Drives Out Good

We in the United States, should ask: What will happen to our country when our high-standard production methods are forced to compete with low-standard foreign practices? The cost of wages is factored into the price of a product. The cost of mandated pollution controls must also be factored into the price of a product. Looking at each factor in turn, we conclude that *under free competition, low standards drive out high standards*. Either American standards would have to be lowered, or the American industries involved would become extinct. To argue that "eventually" some acceptable new equilibrium would be established is to call for faith in "pie in the sky."

The italicized conclusion should look familiar: it is a new application of Gresham's law, "Bad money drives out good." The nominal subject of this law is money, but it is really a statement about competition and freedom. Bringing its implication into the light, Gresham's law reads: "*Under free competition*, bad money drives out good." Banking and commerce would soon be in shambles if a nation said that individual freedom must include the right to print counterfeit money. Since *I* don't want *you* to print money, *you and I* agree to infringe on the freedom of all citizens to make counterfeit money. We achieve this polity by *mutual coercion, mutually agreed upon*. This is the formula for democracy.

Under complete freedom in the production of manufactured products, low standards drive out high. Without apology, we prefer high standards. Once we agree that Greshamite logic applies to the making of artifacts, we see that we cannot ignore elements that enter into the determination of costs (working hours, working conditions, pollution standards, wages, etc.). Tariffs serve a multitude of purposes, many of which

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are bad. The good that tariffs *can* serve is to compensate for the relevant differences in the production of exportable goods. The freedoms we want most can be achieved only if polity does not violate the spirit of Gresham's law. NAFTA violates that spirit.

The revised NAFTA proposes to establish a mixed economy as regards sovereignty. The *aim* of all free trade schemes is to put an end to national sovereignty in the movement of goods across borders. But asserting domestic sovereignty over human rights, labor standards and pollution tolerances, while denying all nations the right to control commercial borders, activates an international Gresham's law of production. Low standards drive out high. The attraction of this "One World" of trade is no doubt related to the religious attraction of "the brotherhood of man." But the resultant universal poverty is a poor precondition for achieving the religious ideal.

What Happens to the Worker?

For nearly two centuries, most economists have treated the doctrine of free trade as dogma not to be doubted (though practice usually diverged from faith). In David Ricardo's day, economists assumed (correctly at the time) that capital was essentially immobile; and they didn't even think about the complications that would be introduced later by social security and welfare economics.

Capital can now move from country to country at nearly the speed of light. Laborers move much more slowly. And they may not want to move at all. Is it in the interest of society at large that laborers should have to pull up stakes and move their families to a new location? Men and women, like other animals, are strongly territorial. The fact that capital can be relocated instantly has only marginal relevance to the social problems created by mass movements of labor. At the center of the dispute is this question: what does free trade do to workers and their families? And how do changes in family behavior affect the rest of society?

When a manufacturing facility is exported to a distant place, should the workers who then find themselves unemployed just quietly die and disappear? Two centuries ago in Europe that may have been the unspoken expectation. As unemployed laborers became poorer, their nutrition deteriorated and their susceptibility to disease increased. The death rate rose. But officially, the deaths were attributed to disease, and not to malnutrition. Or poverty. Or unemployment. Or free trade.

"Denied the outlet of meaningful work, people on the dole will, sooner or later, find other activities that will ultimately cost society much more than the wages saved by exporting production to foreign shores."

Things have changed. Now we put the unemployed on the "dole" (to use a collective term). Who pays for the dole? The public at large, paying through general taxes and shared insurance. The savings that an industrialist achieves by moving operations to a foreign country are largely wiped out by costs imposed on the general body politic. Free trade is not as free as economic libertarians suppose. That is not the end of the story. Although fancy literature and folksy plays often sing the praises of idleness, the biological truth is that the human animal naturally prefers to be active. The activity is sometimes called "work," sometimes "play." The preference for activity is surely healthy: we should not fight it. But, as industrial production continues to move to other countries, more and more of our people will become unemployed. Then what? The welfare state we have created can compensate in part for the unemployment created by free trade. But what about the natural human impulse toward activity? Denied the outlet of meaningful work, people on the dole will, sooner or later, find other activities that will ultimately cost society much more than the wages saved by exporting production to foreign shores. These other activities include crime and the use of drugs. Is anyone surprised when areas of high unemployment also prove to be areas of high crime and drug use?

Beyond crime lies the possibility of political revolution. Prophecy is perilous, but surely revolution becomes more probable with each increase in the population of the unemployed. ("Downsizers" of employment rosters should remember this.) The

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appeal of NAFTA to the movers and shakers of the industrial world is its asserted "efficiency." Wages would be reduced, consumer prices would be reduced. The captains of industry would prosper. The aggregate bill for wages plus the dole might even be less than the cost of decent wages for all without a dole. But the imperatives of human nature would make the economic gains short-lived. The unemployed might not settle for inactivity. As an old saw puts it, "Idle hands are the Devil's workshop." Econometricians would do well to remember these homely words as they discharge their ink clouds of statistics. A truly total accounting of human affairs requires more than a computer.

A More Careful Examination

NAFTA shares with Ponzi a limited purview of time. Proponents of both say, in effect, "Rejoice in the immediate future, and let the distant future take care of itself." Back in 1920, a few canny individuals turned their money over to Ponzi for only a few weeks, then took out both capital and interest. Suspicious investors profited. But the insufficiently suspicious stuck with Ponzi and were, in the end, *stuck*. Time has no stop; all Ponzi schemes ultimately fail.

"We westerners are astounded at the unrelenting resistance of Japan to the siren call for free trade."

Because time has no stop, free trade in a world of diversity must also fail. Those who point to early and limited gains from free trade must prove that dissolving the borders will not universalize poverty or propagate revolutions — or both.

We westerners are astounded at the unrelenting resistance of Japan to the siren call for free trade. As the Japanese continue to enrich themselves by controlling their borders, we fancy we hear them murmuring, "Ah, the mysterious Occident!" Perhaps we should propose a high-level dialogue on the imperatives of trade. We might learn something.

In the meantime, we have something to learn from the legendary Man from Mars. After looking over the North American Free Trade Agreement, our Martian might remark: "Free trade seems a simple idea. If your Lord could illuminate the world with four words, 'Let there be light,' you ought to be able to free trade from its shackles with five: 'Let there be free trade.' But I note that your enabling act has more than 2,000 pages to it. Surely the people who concocted this scheme are not in earnest? I would remind you that your Constitution uses only 73 words to establish free trade among states within the nation. The NAFTA document must use at least 600,000 words."

Continuing, our Martian would say: "I note that you have a great deal of trouble enforcing environmental standards within the nation. The ifs, ands and buts of environmental legislation keep a lot of lawyers gainfully employed. As I look over the NAFTA 'side agreements' — epicycles, surely? — I foresee an explosive increase in the army of lawyers hired to battle over labor and environmental problems in the international sphere. From a Martian perspective, it seems to me that NAFTA is really a Magna Carta for lawyers. Or am I missing something?"

The old Romans found that much good came from challenging each new proposal with the double question, *Cui malo? Cui bono?* Or, in free translation: "Who pays the costs — of all kinds — of the proposed change? And who benefits by the change?" We would be well advised to imitate the Romans before plunging further down this debatable path.■

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John Tanton is the editor and publisher of THE SOCIAL CONTRACT.

Is Tenure Tenuous Under NAFTA?

By John Tanton

Most people think of NAFTA in terms of manufactured goods. Less well known is the fact that the agreement also covers personnel. In *Annex 1603*, p. 16-7 of the 2,000 page, 600,000 word NAFTA document, we find the following (see if you can figure out what it means):

Section D — Professionals

1. Each Party shall grant temporary entry and provide confirming documentation to a business person seeking to engage in a business activity at a professional level in a profession set out in Appendix 1603.D.1, if the business person otherwise complies with existing immigration measures applicable to temporary entry, on presentation of:

(a) proof of citizenship of a Party; and

(b) documentation demonstrating that the business person will be so engaged and describing the purpose of entry.

2. No Party may:

(a) as a condition for temporary entry under paragraph 1, require prior approval procedures, petitions, labor certification tests or other procedures of similar effect; or

(b) impose or maintain any numerical restriction relating to temporary entry under paragraph 1.

3. Notwithstanding paragraph 2, a Party may require a business person seeking temporary entry under this Section to obtain a visa or its equivalent prior to entry. Before imposing a visa requirement, the Party shall consult with a Party whose business persons would be affected with a view to avoiding the imposition of the requirement. With respect to an existing visa requirement, a Party shall consult, on request, with a Party whose business persons are subject to the requirement with a view to its removal.

4. Notwithstanding paragraphs 1 and 2, a Party may establish an annual numerical limit, which shall be set out in Appendix 1603.D.4, regarding temporary entry of business persons of another Party seeking to engage in business activities at a professional level in a profession set out in Appendix 1603.D.1, if the Parties concerned have not agreed otherwise prior to the date of entry into force of this Agreement for those Parties. In establishing such a limit, the Party shall consult with the other Party concerned.

5. A Party establishing a numerical limit pursuant to paragraph 4, unless the Parties concerned agree otherwise:

(a) shall, for each year after the first year after the date of entry into force of this Agreement, consider increasing the numerical limit set out in Appendix 1603.D.4 by an amount to be established in consultation with the other Party concerned, taking into account the demand for temporary entry under this Section;

(b) shall not apply its procedures established pursuant to paragraph 1 to the temporary entry of a business person subject to the numerical limit, but may require the business person to comply with its other procedures applicable to the temporary entry of professionals; and

(c) may, in consultation with the other Party concerned, grant temporary entry under paragraph 1 to a business person who practices in a profession where accreditation, licensing, and certification requirements are mutually recognized by those Parties.

6. Nothing in paragraph 4 or 5 shall be construed to limit the ability of a business person to seek temporary entry under a Party's applicable immigration measures relating to the entry of professionals other than those adopted or maintained pursuant to paragraph 1.

7. Three years after a Party establishes a numerical limit pursuant to paragraph 4, it shall consult with the other Party concerned with a view

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to determining a date after which the limit shall cease to apply.

Appendix 1603.D.1 gives the list of the professionals covered by Section D [See side bar]. According to Appendix 1603.D.4, 5,500 people will be allowed to enter as "Section D Professionals."

Are we really short of Americans to take such jobs? Fortunately for the current occupants of some jobs, contracts and other agreements (such as the tenure which covers teachers) provide a measure of security.

But switch now to the section of NAFTA that provides for a "Free Trade Commission" to settle disputes (see "The Ties That Bind" on p. 35). This unelected and unaccountable group, that will doubtless be composed of promoters of "free" trade, is empowered to resolve disputes and set aside "technical barriers to trade." The environmental community has been concerned that this might lead to the abrogation of such things as the Marine Mammal Protection Act, which regulates the method of catching tuna so as to minimize the incidnetal dolphin kill. (See p.5.)

Is it not possible that someone admitted to the U.S. for the purpose of hunting for a job as a "university teacher" — but who found the way blocked by tenure — would ask that the practice be set aside as a "technical barrier to trade?" Might the Commission agree, and back their decision up with trade sanctions, as they would be permitted to do?

This may seem farfetched, but given the desperation generated by the shortage of jobs and the longage (to use Garrett Hardin's term) of workers in the world, it would not be surprising to see this ploy tried.

Whatever else may be said about Section 1603 of the proposed free trade agreement, it is clearly an end run around our immigration laws. ■

Annex 1603
Appendix 1603.D.1

PROFESSION

General

Accountant
Architect
Computer Systems Analyst
Disaster Relief Insurance Claims Adjuster (claims adjuster employed by an insurance company located in the territory of a Party, or an independent claims adjuster)
Economist
Engineer
Forester
Graphic Designer
Hotel Manager
Industrial Designer
Interior Designer
Land Surveyor
Landscape Architect
Lawyer (including Notary in Province of Quebec)
Librarian
Management Consultant
Mathematician (including Statistician)
Range Manager/ Range Conservationist
Research Assistant (working in a post-secondary educational institution)
Scientific Technician/ Technologist
Social Worker
Sylviculturist (including Forestry Specialist)
Technical Publications Writer
Urban Planner (including Geographer)
Vocational Counsellor

Medical/Allied Professional

Dentist
Dietitian
Medical Laboratory Technologist (Canada)/ Medical Technologist (Mexico and the United States)
Nutritionist
Occupational Therapist
Pharmacist
Physician (teaching or research only)
Physiotherapist/ Physical Therapist
Psychologist
Recreational Therapist
Registered Nurse
Veterinarian

Scientist

Agriculturist (including Agronomist)
Animal Breeder
Animal Scientist
Apiculturist
Astronomer
Biochemist
Biologist
Chemist
Dairy Scientist
Entomologist
Epidemiologist
Geneticist
Geologist
Geochemist
Geophysicist (including Oceanographer in Mexico and the United States)
Horticulturist
Meteorologist
Pharmacologist
Physicist (including Oceanographer in Canada)
Plant Breeder
Poultry Scientist
Soil Scientist
Zoologist

Teacher

College
Seminary
University

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In a previous issue of THE SOCIAL CONTRACT *we printed Sir James Goldsmith's contrarian view on the GATT treaties. An Australian writer picks up on Goldsmith's theme in this article, a portion of which is reprinted with permission from* The Australian *of July 31, 1993.*

Rural Exodus A Road to Disaster

By B. A. Santamaria

[*The article began with observations on the decline of the Australian National Party which has its base of support in rural and agricultural interests.*]

The depopulation of the countryside is the basic cause of the decline of the National [Party] vote. Its significance, however, ranges far beyond that fact. In the short run, the rural exodus may, superficially, seem to make sense. In the slightly longer run — with unemployment and underemployment in Western industrial countries now close to 30 million, and growing relentlessly, and with a vast refugee problem building up on every continent — it is nonsense.

As far back as 1942, William Hocking, professor of philosophy at Harvard, dismissed the nostrum that urbanization was the key to economic and social progress. "Capitalism can maintain its health only on three conditions," he wrote. "(a) It must take the problem of employment as its collective responsibility: it must satisfy the will to work. (b) The owning and use of capital must be general. (c) Ownership in its full sense must be widely diffused; this means the ownership of real property instead of mere abstract tokens such as money and securities. And real property comes to its best expression in the farm operated by its owner or owners, for here we have capital bearing its natural and unchallenged fruit in direct response to labor and intelligent investment."

Five decades later such concepts are not even worth a laugh in a society which prefers to make its money out of paper shuffling, but is now, as a result of this interpretation of progress, flat on its back waiting for the Keating-type recovery which, whether in Australia, Britain or the U.S., never comes.

One of the West's most successful practitioners of "playing the markets," Sir James Goldsmith, put his finger on the nub. "When people are forced to move from the countryside to the towns, both the countryside and the towns are destabilized. The famous *favelas* of Brazil, the slums of such mega-towns as Rio de Janeiro, did not exist before the Green Revolution, which was supposed to eradicate hunger throughout the world by applying science to agriculture and thereby increasing output...

"Large mechanized, scientific farms did produce more food per person, directly employed, but those no longer employed were chased into towns, creating vast urban concentrations with their attendant slums. As they were uprooted not only from their homes but also from their cultures and families, the refugees and their children were reduced to dependence on welfare and crime.

"...those no longer employed [on the farms] were chased into towns, creating vast urban concentrations and their attendant slums."

"The GATT proposals would do even greater damage. By preventing nations from protecting their farmers, rural communities throughout the world would be washed away as if by a flood. Whole populations would be uprooted and swept into urban slums. In the world as a whole, the rural population consists of about 3.1 billion people. Let us suppose that as a percentage of total population, it were to be reduced to the levels that already exist in the new farming countries such as Australia and Canada.

"The result would be emigration from the land to the town of about 2.1 billion people, figures which worsen as the world's population grows. As the affected nations become ungovernable and impoverished, so their people will be forced to seek refuge elsewhere. Mass migration will follow, and do not think that any nation would remain unaffected by vast movements of uprooted and tragic peoples." ■

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Here is a view of the labor surplus from the trading floor, reprinted by permission from the August 30, 1993 edition of The Australian Financial Review.

Shock in Store for the First World

By Ivor Ries

Just as the oil shocks of the 1970s destroyed conventional investment wisdom by sparking a decade-and-a-half of rampant inflation, the "labor supply shock" is set to dramatically alter the lives of investors and consumers in advanced industrial economies.

That's the view of Neal Soss, the straight-talking chief economist of First Boston Corporation, one of Wall Street's "big six" investment banks. Soss coined the term "labor supply shock" recently to explain how the massive shift of capital, industrial machinery and technology to the Third World will affect the lives and financial fortunes of people living in the high-income countries of the OECD, including Australia. Soss says that the shift of capital and technology to the Third World — with its hundreds of millions of surplus workers — will undermine the value and bargaining power of labor in the rich First World countries and in so doing remove the major cause of inflation.

In essence, Soss is talking about the end of the middle-class dream: the concept that each generation will be able to enjoy a substantially better lifestyle than its predecessor — in major economies such as the United States, Europe and Japan. While Soss's labor supply shock theory may alarm Australians and their rich-nation colleagues, for investors the Soss message is incredibly bullish. The loss of bargaining power for workers in the developed world, Soss says, is likely to lead to a low-inflation environment to last at least a decade and perhaps a whole generation. Using the low-inflation assumption, Soss says that the global bull market in bonds that began in America in 1982 may still have a long way to run and that that, in turn, should underpin a continuing rise in equity prices.

"Interest rates will stay low. I can foresee at least another decade of low interest rate levels," says Soss. "And in countries where interest rates have not yet come down much, they will come down a lot further.

"Between 1952 and 1982, interest rates crept up with only brief moments of remission. You basically had a bear market in bonds that lasted 30 years. The bull market in bonds is only 12-years-old and still has a long way to run." To back up that point, Soss says that the yield on 30-year Treasury Bonds in the U.S. should fall below 6 percent before the end of the year, compared with about 6.68 per cent on Wednesday and about 7.5 per cent a year ago.

If Soss's labor supply shock theory is even half-way right, advanced country workers, consumers and investors are going to have to endure some big changes over the remainder of the decade.

"...for investors the Soss message is incredibly bullish. The loss of bargaining power for workers in the developed world is likely to lead to a low-inflation environment..."

For low-skilled workers the years of 5.8 per cent annual wage rises are over. Soss says that employers in the First World can only stay in business by reducing the labor-cost component of production, and that will mean continuous job cuts and increasing mechanization (which is made easy with low interest rates,) and working smarter.

Workers that don't have the skills to run the new high-technology production machinery will be out of a job. And, as IBM's plan to shed another 35,000 workers underlined this week, vast numbers of white-collar and middle-management jobs are also a thing of the past. The shrinkage of well-paid middle-management jobs in the U.S. had led to the development of the so-called "Generation X."

X-ers, the well-educated post-baby-boom generation, are finding that the "fast track" they were promised by the movies frequently leads to a $5-an-hour job at McDonald's.

For consumers, low-income growth and the feeling of loss of job security will lead to searching

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for ways to save pennies. Penny-pinching by consumers in the US has already led to a major shift from expensive, branded goods towards generics. As a result, stock of some major consumer products companies — such as Phillip Morris and H. J. Heinz — have been hammered on Wall Street over the past few months.

"The old consumer products growth stocks were just plays on high wages growth in the First World," says Soss. "When you depress income growth, the premium you can charge for a brand name is reduced."

Soss also argues that the labor supply shock will lead to increased savings rates in the advanced world. During the 1980s, First World workers did not need to save because asset-price inflation was building retirement nest eggs. They could also anticipate that high interest rates would deliver a decent retirement income. But with asset prices flat and interest rates low, the amount of money people have to put aside to produce a certain retirement income has virtually doubled. "This will depress consumption growth for quite a few years to come," Soss says.

"...the transitional costs will be huge and fall most directly on the laboring classes of North America, Western Europe and Japan."

While Soss's view is sobering — and controversial among more traditional rival economic forecasters — it is not without hope for investors. Soss says that investors can profit from the global shift of economic well-being that will result from the labor supply shock in a number of ways. Among these are to invest in the developing economies, to invest in bonds and carefully selected stocks, and to invest in commodities.

The bond investment strategy is basically a play on inflation falling and staying down. But for shares, Soss recommends investing in stocks that are "short First World labor," which basically means any company involved in making labor-saving equipment or services that already has a low labor component.

Recent experience in the US tends to back the Soss hypothesis on this score. While job growth and retail sales have been sluggish, sales of new labor-saving production equipment is rising rapidly.

Almost 40 per cent of the real increase in US GDP over the past four quarters was due to a 16 per cent rise in production equipment sales. And Soss is bullish on commodities because of what he sees as a coming explosion in demand for basic goods in the developing world — all of which require energy and raw materials to produce.

Soss's investment strategy for the "labor supply shock" era is not all hot air. Soss has backed his theory by switching his personal investment portfolio into bonds, shares in companies with labor-saving technology and commodity producers. And like gold bug George Soros, Soss has also taken a modest plunge into precious metals, although in silver. To back up the point during the interview, he pulls a huge U.S. silver dollar out of his pocket.

Soss does not fear the labor supply shock as he says it is merely a way of lifting developing-country incomes to nearer the developed world level. However, the short-term costs can be high. "Supply shocks of this sort are undoubtedly beneficial to human welfare in the long run," says Soss. "The last episode began in the middle of the 19th century with the opening up of new sources of foodstuffs and natural resource — the prairies and the plains, the pampas, the outback and the rand. The relative cost of food, energy and raw materials has been falling ever since. Similarly now, the cheap-labor supply shock will give mankind material abundance on a scale beyond imagining. But the transitional costs will be huge and fall most directly on the laboring classes of North America, Western Europe, and Japan."

Soss says that some of the social and political outcomes will be more populist moves for protectionism (such as Ross Perot), anti-development environmentalism, acceleration of regional trade blocs, increased ethnic and immigration tensions and rising militancy in the union movement.

If Soss is right, the 1990s will be just as challenging for investors as the previous decade. ■

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In its issue of September 1993, Harpers Magazine *published a confidential memo sent to the White House on the subject of the North American Free Trade Agreement. The author of the memo, Jeff Faux, is an economist who has worked in the departments of State, Commerce and Labor. He was an unofficial advisor to the Clinton campaign for the presidency.*

The Politics of NAFTA

By Jeff Faux

[*The memo is addressed to: Joan Baggett, Paul Begala, James Carville, Rahm Emanuel, Stanley Greenberg, Frank Greer, George Stephanopoulos and David Wilhem.*]

The international-trade people in the administration are steering the President off a political cliff. By now it should be obvious that NAFTA is not popular among voters. The more they are aware of it, the less they like it. Ditto in the House of Representatives.

The people in the administration handling this are out of touch. The claim by [U.S. Trade Representative Mickey] Kantor that not passing NAFTA will cost 500,000 jobs is absurd. Other than the ideologically committed, no one — especially in the press — believes it. But because there is apparently no one of stature within the administration who is challenging these assumptions, the people in Trade, State, Treasury, etc., are simply reinforcing one another. As a result, they are dealing the President only half a deck.

Economics aside, this is clearly a *political* loser, big time. Consider:

1. NAFTA makes no sense to most people and undercuts the image of a President concerned about jobs for Americans. Everything we know about politics over the last twenty years tells us that a Democratic president must have the populist advantage on jobs and growth issues to offset the discomfort that many ordinary people feel with a social agenda that to them seems to emphasize gay rights and political correctness.

2. Right now, no one is "responsible" for jobs lost due to investments that move across the border. But the President is making NAFTA *his* program. And after it passes, Bill Clinton will be blamed for every factory that closes down, *whether NAFTA was the cause or not.* That is exactly what happened to [former prime minister Brian] Mulroney in Canada.

3. Most forecasters already expect anemic job growth next year as a result of deficit reduction and a still lackluster economy. There will be job fallout from defense cuts. And more corporate downsizing. Add an energy tax. Does the President need any more of a burden on the jobs issue to carry into '94 or '96?

4. This will be a very tough fight — with Democrats! It will divide the party and leave scars. If the President pushes this and wins, *there will be Democratic districts where he will not be welcome.* If he pushes it and loses, he'll have a double defeat — in the Congress and with the voters.

"By now it should be obvious that NAFTA is not popular among voters. The more they are aware of it, the less they like it."

5. Implicit in the White Houses's present NAFTA strategy is that the President will go out there and try to overcome the deep-seated doubts the average American has about the agreement. This will require him to expend an enormous amount of goodwill and political capital to clean up George Bush's mess. Aren't there more important things to spend it on?

6. Perot could do real damage on NAFTA. His criticism on the budget resonates mostly with a conservative business constituency that will never vote for Bill Clinton anyway. But on NAFTA, Perot can connect with a lower-middle-class and working-class constituency, putting Clinton on the wrong side of the jobs issue. (Skepticism about free trade is one

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area where Clinton and Perot voters were similar in the exit polls. If these are the swing voters, why turn this strength into weakness?) As a Democratic congressman said to me last week, "People in my district are beginning to say that Clinton's giving away our tax money to the Russians and now he wants to give our jobs to the Mexicans." Imagine hearing that one a few million times on talk radio.

7. When the debate gets going, the issue of Mexican money buying access and influence in Washington will resurface. The media already have some suspicions about the influence of the lobbyist crowd in this administration. This could hand Perot another issue: corruption in Washington.

8. You can't trust your "allies" on this. You can't control [Mexican President Carlos] Salinas. And there is some evidence that some of the big business community will not go to the mat on this. These people do not like controversy. Bill Clinton could end up a little lonely out there.

9. The absence of Republican resistance to NAFTA is deceptive. Some Republicans will peel off on the NAFTA vote now that Bush is gone. More important, at the local level, rightwing populist Republicans (helped by the Christian right) will be shameless about exploiting NAFTA to portray the President as the friend of everyone but the average American.

What to do? I suppose the President is in too deep to pull out suddenly. But he can begin to extricate himself by sticking to his earlier demands that tough side agreements be negotiated with high standards and *strict* enforcement, including trade sanctions. The deal they are negotiating now has no teeth, and everyone knows it.

An agreement with teeth may or may not be acceptable to the Mexicans. But at any rate, it will take time to negotiate and thoroughly vet the side agreements with people outside the pro-NAFTA circles in the administration. The whole process should be slowed down. It is crazy to be rushing this. The current timetable protects the political interests of Carlos Salinas. But *the political risk will be taken by Bill Clinton.* There is no good reason for the President to hurry. Sure, Salinas will huff and puff, and his friends at the editorial pages of the *Washington Post* and the *New York Times* will moan that this is the end of Western civilization. But a few critical editorials are a small price to pay in order to avoid a big problem.

My case does not rest on the notion that NAFTA or foreign trade, per se, is a salient issue. But jobs are. And you can't talk most working people out of their view that NAFTA is anti-jobs.

One step that can be taken now is to give someone in the White House the responsibility for designing a plan to back out of NAFTA. Call it contingency planning. But it is crucial that there be an alternative strategy when this hits the fan. And it will.

I write this as someone who is committed to Bill Clinton's success. It would be tragic if the White House were to absorb big-time damage here because people in the administration are more worried about the political fortunes of the President of Mexico than they are about the political fortunes of the President of the United States. ■

Words that come back to haunt us...

In 1965, Senator Edward Kennedy (D-MA) summarized what the 1965 Immigration Bill would not do:

"First, our cities will not be flooded with a million immigrants annually. Under the proposed bill, the present level of immigration remains substantially the same. Secondly, the ethnic mix will not be upset. Contrary to charges in some quarters, [the bill] will not inundate America with immigrants from any one country or area..."

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John Swartout is a licensed shipmaster and a first class pilot on the Great Lakes. He has a B.A. in English from Albion College in Michigan, where he was Phi Beta Kappa.

The Free Trade Charade

by John G. Swartout

The United States of America is plunging headlong into a bottomless sea of debt from which it will not emerge without dragging most of its citizens into poverty. That is the unimpeachable conclusion of last year's nonfiction bestseller *Bankruptcy 1995*, by industrialist Harry E. Figgie, Jr. and economist Gerald Swanson. Our national debt is over $4.1 trillion and is growing three times as fast as the economy. If we don't fix it, and soon, say Figgie and Swanson, the spiraling debt will bankrupt the country by the middle 1990s.[1]

Without question, higher taxes will retard economic growth and lower everyone's standard of living, but they will not solve the debt crisis. The only way out of this morass of red ink is to combine a rationalized federal budget with a private sector economy that creates a job equal to the skills of every taxpayer who wants one, and reverses the twenty-year slide in the standard of living of middle class America. Only full employment and higher wages will ensure the rising tide of federal revenues necessary to conquer the debt and deficit.

In this mission we are failing. In our government's passion for free trade, we are pursuing a strategy that will transform the United States into a Third World country in our own time. In the global economy we are creating, it is the richest countries which have the most to lose, and we Americans seem determined to lead the world in the race for the bottom.

The Decline of the Middle Class

Evidence of our error is immediately at hand. Over ten million Americans are out of work. Were they all to find a job, their annual income taxes would add $42 billion to federal revenues. (But don't look for full employment anytime soon; U.S. wages are still much too high.) Most of the new jobs being created are part-time, temporary, and low-paying service jobs, while high-wage manufacturing jobs are disappearing. A quarter of the U.S. labor force is employed at full-time jobs paying $250 a week or less.[2] And 40% of males aged 18-24 working full-time are earning less than a poverty-level wage, up from 18% a decade ago.[3]

There is no one simple answer to why this is happening. It would be a mistake to ignore domestic factors such as rising productivity, which means that improving methods of production have made it possible to accomplish the same tasks with fewer workers. Or that our schools are graduating hundreds of thousands of functional illiterates every year. Or that exploding health care costs have induced many large employers to fill formerly full-time positions with part-time or temporary employees in order to avoid paying for fringe benefits.[4] But much, if not most, of the blame for the distress in the U.S. economy can be traced directly to the tax and trade policies of the U.S. government, which have nurtured the "global economy" and facilitated the transfer of millions of American jobs to foreign countries. This plunder of middle class America is not finished. In fact, if the North American Free Trade Agreement (NAFTA) is ratified, what we have witnessed so far will be only the prelude to a wholesale erosion of the American standard of living.

"...we are pursuing a strategy that will transform the United States into a Third World country in our time."

President Clinton intends to see NAFTA ratified by Congress, despite his pledge to grow the economy and work for more and better-paying jobs in the U.S. The recently negotiated "side agreements" he insisted upon, which were supposed to safeguard labor and the environment, fell far short of their advance billing. Warned by Senate Republicans not to compromise on NAFTA's "benefits" to U.S. companies (i.e, downward pressure on labor costs and environmental standards), and stymied by the

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refusal of Canada and Mexico to further compromise their sovereignty, U.S. Trade Representative Mickey Kantor achieved only phantom agreements, which will in no way avert the severe damage NAFTA holds in store for working families and businesses on both sides of the border.

Reading Between the Lies

The North American Free Trade Agreement proposes to unify the developed economies of the United States and Canada with the much less developed economy of Mexico within fifteen years, by removing all tariffs, quotas, and other restrictions affecting investment, trade, and services between the three countries. But the name is deceptive. The implication is that NAFTA simply promotes growth and opportunity, for the benefit of all, by removing barriers to the free flow of merchandise across national borders, and providing entrepreneurs throughout the continent with free market access to 360 million customers. But the great developmental gulf between the economies of Mexico and her northern neighbors reduces the mantra of "free trade" to a term of propaganda, an insidious proxy for radical changes in the social contract which would be widely viewed as treasonous if spoken in plain language. NAFTA is the blueprint for a monstrous shakedown of working Americans which will make the savings and loan fiasco look like a case of purse snatching. It is an attempt by private interests to use the power of government to guarantee the success of an enormous foreign investment program which will lay waste to the American job market and imperil the economic survival of the country. NAFTA will bring to the United States a declining standard of living, rampant unemployment, higher taxes, deeper debt, and a government even less responsive, less accountable, and less able to influence our nation's own destiny.

The apparent subterfuge in the naming and the selling of this treaty is not an accident; the artful use of language is the keystone of the free trade lie. For evidence of this strategy, consider these lines quoted from an article by NAFTA advocate M. Delal Baer, the Director and Senior Fellow of the Mexico Project at the Center for Strategic and International Studies, a Washington, D.C. think tank funded primarily by multinational corporations:

> *NAFTA will enhance U.S. competitiveness vis-a-vis Europe and Asia through economies of scale and specialization in production to be achieved with continental rationalization. Trinational clarity of investment rules will provide a stable environment for long-term production strategies. Most attractive is the production-sharing option within North America. Production-sharing is a strategy that Asia and Europe have used to great advantage in penetrating U.S. markets. Japan, for example, has deliberately shifted labor-intensive production to less-developed neighbors in Asia. A North American production-sharing alliance will help U.S. industries gain competitiveness in a world where multipolar geoeconomic rivalry is supplanting bipolar geostrategic conflict....*
>
> *NAFTA, if and when completed, will reshape corporate strategies, redraw the mental map of citizens in each country and gradually create a North American economic identity based on global competition....*[5]

Sounds marvelous, doesn't it? But what does all of this sophisticated argot really mean? Defining a few of Ms. Baer's terms will help to reveal some of the guiding principles behind NAFTA:

1. **"U.S. competitiveness."** Essentially, this means adopting the Bangladesh model for making North American products price-competitive with European and Asian goods both at home and abroad: lowering the cost of labor to Third World standards. But it is misleading to refer to the United States as a discrete economic entity in a post-NAFTA world, since the treaty aims to integrate the economies of the three countries. The distinction is valid only as it refers to the decline in U.S. wage rates which will occur as Americans are forced to openly compete for jobs with Mexicans who typically earn 58 cents per hour (and less, when Mexico devalues the peso again, which many analysts believe will happen soon). As for boosting our exports, it is also naive to think that price competition will overcome the mercantile trade practices of the Pacific Rim and Europe.

2. **"Economies of scale."** For the large corporations with the financial resources necessary to expand into foreign countries, this refers to spreading

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the fixed costs of doing business over more units in order to lower the price. But it also implies that the big will get bigger, their already formidable ability to influence government policy will grow accordingly, and smaller competitors will wither away.

3. **"Specialization in production."** Refers to the theory of comparative advantage, which postulates that where free trade prevails, each participant, whether nation, enterprise, or individual, will tend to specialize in the things it does best. However, this does not bode well for the majority of Americans who have neither specialized skills of their own nor the capital to invest in the special advantages of others. This environment favors not individuals, but multinational corporations, which have the means and the apparatus to profit from opportunity wherever on the globe they find it. The unfortunate fact is that there is little which we Americans do for a living that could not be done equally well and for less money by Mexicans, Thais, Chinese, or Malaysians, if we encourage corporations to invest abroad by allowing them free access to the U.S. market. That is the reality of free trade — trading American jobs for cheaper foreign goods. Only, those goods are not as cheap as they should be — just cheap enough to undersell and drive the domestic competition out of business. The real benefits go not to consumers, but to the corporations and investors who perpetrate this disintegration of the U.S. economy. The shortsightedness of this strategy should be self-evident: It's killing the goose that laid the golden egg.

4. **"Continental rationalization."** Rationalization, strictly speaking, means applying modern methods of efficiency to industry and agriculture. Naturally it improves productivity, but that means fewer workers are needed. The naive assumption of the 1970s was that this improving productivity would mean shorter work weeks and higher incomes for American workers, who would have to find new ways to spend their windfall of leisure time. What the overzealous prognosticators didn't figure on was that free trade would cut laborers out of the gravy. Says economist Tony Riley of A. Gary Shilling & Co.: "A weak labor market makes it easy for employers to keep the fruits of productivity growth for themselves."[6] NAFTA, by sharing with Mexico the bounty of this improved productivity, will mean higher unemployment throughout North America at first, and then lower and lower wages as the cost of labor equalizes across the continent over a period of years — years of excruciating upheaval and extreme hardship for families in all three countries.

5. **"Clarity of investment rules."** Fearing exploitation and loss of sovereignty, the Mexican government has heretofore discouraged foreign investment both by statute and by being unpredictable in its treatment of such investment after the fact. NAFTA would make Mexico a safe place for capital investment by preventing the Mexican government from changing the rules once the game begins.

6. **"Long-term production strategies."** Moving factories to Mexico, permanently.

7. **"Production-sharing."** This means moving labor-intensive manufacturing functions to countries where labor is cheap and/or market access is impeded by restrictions on direct imports. As practiced by Japan, the high-wage, high-profit, and administrative functions remain in the home country. There is little evidence of such economic nationalism by the United States.

"The shortsightedness of this strategy should be self-evident: It's killing the goose that lays the golden egg."

8. **"Penetrating U.S. markets."** Relatively free access to the U.S. market has allowed Japan in particular to target and capture a succession of U.S. industries, deliberately incurring losses over a period of years in order to build market share and drive competitors out of business.[7] To lower costs, Japan has used cheap labor in Third World Asian countries to assemble products for export, while retaining the best jobs for Japan's own workers. This strategy, together with Japan's autarkic practice of barring the importation of manufactured goods and many agricultural products,[8] has so far allowed Japan to keep its unemployment rate under 2.5 percent, even during the current deep recession in the Japanese economy. By contrast, the official unemployment

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rate in the U.S., where little effort is made to retain good jobs and where the recession supposedly ended well over two years ago, is still 7 percent.

9. **"U.S. industries."** Again, a misleading representation. This is an appealing concept but unfortunately it is deceptive in two ways. First, what was once a U.S. corporation might indeed become more competitive by moving its operations to a low-wage, low-regulation, low-tax country, but that certainly doesn't help the United States. In fact, it deprives the U.S. of taxpayers and increases the burden on the lucky ones who still have a job. Second, a large number of corporations with American names are in fact multinationals doing business all over the world, and have no particular allegiance or interest in the affairs of the United States or of any other country in which they do business, aside from how it affects their profits.

10. **"Multi-polar geoeconomic rivalry, etc."** In other words, the Cold War is over and now the world is presumed to be splitting into competing Asian, European, and Pan-American trading blocs (far from a *fait accompli*.)

11. **"Redraw the mental map of citizens."** This is Ms. Baer's way of speaking indirectly about the loss of national sovereignty which NAFTA would mean to all three nations. Sovereignty is the right of an independent nation to conduct its own affairs in the best interests of its citizens. In a democratic society such as our own, the idea of sovereignty includes our Constitutional freedoms and guarantees. It appears to be Ms. Baer's view that we should surrender our rights and responsibilities as citizens of the United States of America, and begin to think of ourselves as North Americans, who owe allegiance to international treaty obligations rather than to our own people and our country's high ideals. NAFTA would weaken the independence and autonomy of all three nations, and further diminish the accountability of our government to its citizens.

The quote examined here is an example of the use of cryptic language to conceal unpleasant realities from all but the cognoscente. It is one of two common varieties of deception employed by many self-interested advocates of free trade schemes. The other is reductionism. Reductionism disregards the complexities of trade issues and insists on confining the dialogue to a mindless dogma: Free trade is good; protectionism is evil, and never mind the erroneous assumptions necessary to arrive at this conclusion.

Evidence of this widespread prejudicial dogma may be found almost daily, not only in the pages of *The Wall Street Journal* and *Forbes* magazine, where the use of reductionism betrays a premeditated bias, but also in the parlance of the popular media, where "free trade" and "protectionism" are too often convenient but disinformative journalistic shorthand for concepts not well understood.

The matter was summed up nicely by Ford Motor Company chairman and CEO Harold Poling, lamenting our annual $50 billion trade deficit with Japan before the National Press Club: "If we continue to profess the philosophy of free trade, nothing will happen. They don't believe in free trade. I find it fascinating that there is no middle ground," he said. "Either you're a [virtuous] free trader or a[n evil] protectionist."[9]

"...no nation has ever prospered for long by practicing free trade, including our own."

The irony is that the pejoration of protectionism has succeeded so well at distorting history. The fact is that no nation has ever prospered for long by practicing free trade, including our own. For 125 years, the United States government obtained half of its revenues from tariffs of up to 100% on imported goods. But at the end of World War II, the U.S. gave tens of billions of dollars in reconstruction aid to Europe and Japan, and began the series of one-sided trade concessions in the GATT treaties (the 110-member-nation General Agreement on Tariffs and Trade), which dropped U.S. tariffs from an average 32 percent ad valorem down to 8.5 percent in 1972, providing a robust market to nurture the world's new industrial powers.[10] This strategy succeeded at building strong free world economies to resist communism beyond American shores, but it also built the foundation of the "global economy" which now is taking away our jobs, our prosperity,

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and our self-determination. Unless we adopt a rational trade policy free from utopian one-world ideology, we will soon discover that winning the Cold War was a Pyrrhic victory.

We Have Met the Enemy

Note that 1971 was the last year in which the United States protected its high-wage industrial jobs with high tariffs. It comes as no surprise that our balance of trade with the rest of the world, which had been positive for 77 consecutive years, turned negative in that year, and save for two times, it has been negative every year since. Nor is it an accident that manufacturing employment has shrunk to less than 17% of the U.S. work force from 30% in the 1960s.[11] Nor that 1972 began a twenty-year, twenty-percent decline in average real wages for nearly four-fifths of American workers.[12]

But the mischief didn't end in 1972. In fact, it didn't really get rolling until the 1980s. In 1980, the United States granted most-favored nation trading status to communist China, lowering tariffs on Chinese goods from 40% down to 6%. And already, Chinese exports account for more than one-third of the U.S. toy market, 10% of the footwear market, and 15% of all apparel imports.[13] Many of those Chinese exports are produced by prison laborers, in spite of U.S. trade laws which are intended to block such practices.[14] Our trade deficit with China in 1992 was more than $18 billion, second only to our nearly $50 billion gap with Japan. In recent years the trade deficit with China has doubled every two years, thanks to that country's penurious wages and Japan-like autarky.[15]

"It is precisely in anticipation of a free trade deal with the U.S. that Mexico has taken steps to light a fire under its erstwhile moribund economy."

The 45-year American experiment in unilateral free trade has been an abysmal failure for the domestic economy. The U.S. has lost the consumer electronics industry, nearly all of the commercial shipbuilding industry, a third of the automobile industry, large sectors of the machine tool, semiconductor, textile, apparel, shoes, steel, and farm machinery industries, and even a substantial share of the world market for agricultural products. And in the process, we have gone from first in the world to thirteenth in wages.

> *The failed priests of Adam Smith [the 18th century creator of the antiquated theory of free trade] continue to run the think tanks, corner the op-ed pages, and set policy for this country. Each recovery is shallower than the one before because the true value-added manufacturing base is getting smaller and smaller .... If every family bought a new car, on average, 29 percent of that money would go to Japan, and the 57 automobile plants in the Mexican maquiladora program might be stressed, but in all truth, how many new jobs would be created in America? If every man, woman and child went out to purchase new clothing and shoes, whose economies would be stimulated when 60 percent of our textiles and 80 percent of our shoes come from abroad? In every instance, we might gain a little, but every one of our trading partners would gain much more.*
>
> (— Helen Delich Bentley)[16]

The global economy is a beast of our own making. It is an economy that (in his 1991 book *The Work of Nations*) Labor Secretary Robert B. Reich says only one-fifth of all Americans can cope with.

This fact alone may be the most compelling reason to postpone the giant leap towards global free trade embodied in NAFTA. If we are to fulfill President Clinton's campaign vision of becoming a high-skill, high-wage, high-growth society, we have a great deal of homework to do before inviting the free trade Trojan Horse through the gate. Even if we believe it is possible for the United States, on merit alone, to secure a hugely disproportionate share of the world's high-paying jobs in this era of footloose capital, then we must somehow mobilize our entire society to achieve that goal before exposing it to the hostile winds of free trade. Simply offering worker retraining and investment tax credits is nothing more than an empty gesture, a political placative.

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Why Mexico?

What the world's multinational corporations find so attractive about Mexico is its labor force of some 40 million souls who typically earn a dollar an hour, or less, adjacent to the world's most lucrative consumer market. But Mexico's vulnerable labor force and strategic proximity to the U.S. are not the only attractions. The others include substantial natural resources, fertile agricultural land, the near absence of environmental and occupational safety enforcement, repression and manipulation of organized labor, and a legendary climate of graft and corruption where everything is negotiable, including law enforcement.

Mexico has made no secret of the fact that what it hopes to gain immediately from NAFTA is capital investment. Mexico's cheap labor and laissez-faire regulatory environment require only the strait jacket on investment rules (i.e., NAFTA guarantees *no changes* in the rules) and the guaranteed free access to the U.S. market to make it one of the world's most attractive places to invest money. It is partly in anticipation of a free trade deal with the U.S. that Mexico has taken steps to light a fire under its erstwhile moribund economy. Privatization, equity-for-debt swaps, tight monetary policy, liberalized foreign investment rules, and the encouragement of export-oriented manufacturing ventures have weaned Mexico from its dependence on declining oil revenues, attracted billions of dollars of new investment capital, and provided hard currency to service Mexico's $80 billion foreign debt. Together with billions of dollars in sometimes surreptitious economic aid to Mexico from the U.S.,[17] these measures have caused the Mexican economy to spurt in recent years, giving ammunition to proponents of the NAFTA treaty. The prospect of completing the agreement, which would lock up free access to the U.S. market, has already enticed Volkswagen, Nissan, and other Asian manufacturers, as well as many U.S.-based companies, to begin building new plants in Mexico.

The significance of the global battle for capital is two-fold. First, a nation's jobs, productivity, and hence its standard of living, depend directly upon capital investment at home, particularly in this age of rapidly changing technology.

Second, it is feasible today for a large corporation to build a state-of-the-art production facility almost anywhere in the world, based solely on the risk-adjusted potential return on the investment. The U.S. is not exempt from the global competition for capital, and in fact, is faring rather poorly in that regard. For the moment, the United States is per capita the most well-capitalized country in the world and, not by accident, also the most productive. Yet our productive assets are aging and our lead shrinking fast because American capital is flowing out of the country and into places like Mexico and China. Capital investment in the United States in 1991 was at the lowest level since the Great Depression, and continues to be alarmingly low. The situation will be severely worsened in the U.S. if the North American Free Trade Agreement is ratified, because NAFTA will launch a predatory boom in the Mexican economy and divert capital investment from the U.S. to Mexico. This is the agenda of the U.S.-based international banks which hold $30 billion of Mexico's foreign debt,[18] and despair of ever seeing it repaid without the snake oil tonic of free trade.

"...The United States is per capita the most well-capitalized country in the world. ...Yet our productive assets are aging and our lead is shrinking fast."

Unfortunately, investors need little incentive to look beyond the United States to invest capital. There are three principal reasons that capital is fleeing the United States.

1. **U.S. government tax and regulatory policy.** U.S. Representative Richard Armey (R-TX) points out that the "government burden per worker" for a typical small business rose 34 percent between 1989 and 1992, from roughly $3,950 to $5,300. (A figure which approximates the total employment cost of the average Mexican.)[19] This burden consists of employment taxes, indirect business taxes, the cost of environmental regulations, and the change in wage costs as the result of the increased minimum wage.[20] During the same period, business profits per worker slid 20 percent. In addition, former HUD Secretary Jack Kemp cites the tax treatment of capital itself as a disincentive to invest in the United States.[21] Interest

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income on savings — which are the source of capital — is taxed at the same rate as ordinary income. Dividends on capital invested in the stock market — which provides businesses with the resources to expand and create jobs — are also taxed at the same rate as ordinary income. And capital gains — the rewards of putting capital at risk to build a business — are also taxed the same as ordinary income, even when inflation merely creates the illusion of a gain. In addition, tort law in the U.S. adds the enormous cost of product liability and malpractice insurance to everything from airplanes to delivering babies. In sum, we have a tax structure and a regulatory labyrinth which discourage capital investment, job creation, and economic growth in the U.S. And our enormous debt burden makes the prospect of tax relief rather remote.

2. **Better opportunities abroad.** In addition to more favorable tax treatment in many foreign countries eager to attract capital, many countries have also enjoyed growth rates in recent years several times that of the United States. These factors have combined with the low cost of Third World labor to entice American corporations to relocate or expand into Latin America, Asia, and Europe, rather than to invest in the U.S.

3. **Risk management.** Perhaps the most disturbing of the three explanations for declining investment in the U.S. is this: Many American companies have gone global in part to improve their chances for survival should the U.S. economy collapse. Such a doomsday scenario is the subject of the current nonfiction bestseller *Bankruptcy 1995*, by industrialist Harry E. Figgie, Jr., and economist Gerald Swanson. Figgie, founder, chairman, and CEO of $1.17 billion Figgie International, Inc., served on the Grace Commission in the 1980s, and the book grew out of research done for the Commission by DRI/McGraw Hill. That research showed that the accelerating rate of deficit spending and the resulting debt service requirements incurred by the U.S. government would, if unchecked, exceed the government's ability to tax or borrow, and result in hyperinflation and/or financial collapse by 1995. Every nation which has gone this route before us has suffered a devastating debasement of its peoples' standard of living.

According to a February 5, 1993 *Wall Street Journal* article, Figgie is expanding abroad to position his own corporation to weather such a crisis. The program seeks to achieve a 50-50 balance between U.S. and foreign sales, to make overseas acquisitions, and to build foreign plants.

It is easy to see how apprehension about America's ability to manage its debt could become a self-fulfilling prophecy. Capital flight is a leading indicator of unsound money.

Selling the Emperor's New Clothes

To understand who will benefit from NAFTA, look at who is promoting it. Mexico has taken a page out of the Japanese foreign relations playbook, and launched the biggest campaign in history to lobby Congress for passage of NAFTA. The Mexicans spent far in excess of $14 million last year, and this year will spend a minimum of $50 million, to marshal a host of high-powered influence peddlers in Washington to press for the pact.[22]

"...Mexico has ... launched the biggest campaign in history to lobby Congress for passage of NAFTA."

Their efforts will be matched, if not exceeded, by commercial interests in the United States. NAFTA's backers in the U.S. are the multinational corporations, insurance and brokerage firms, large commercial banks, and other special interests represented under the umbrella of USA-NAFTA. This coalition of more than 1,100 companies, trade associations and business groups, admits planning to spend at least $2 million to lobby Congress and campaign for public support of the treaty,[23] but private estimates peg the war chest at up to $50 million.[24] Fund-raising is being coordinated by a division of Hill & Knowlton, the same powerful lobbying and public relations firm retained by the Kuwaiti government to rally public support in the United States for the Gulf War.[25]

The ambitions of these NAFTA proponents are not hard to divine. Most of Mexico's nearly 90 million people are in extreme poverty; they will not

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be lining up to buy duty-free merchandise from the U.S., even if they are fortunate enough to land one of those new dollar-an-hour factory jobs. Still more will be in poverty when capital-intensive American methods of mechanized agriculture and computerized banking and insurance replace Mexico's labor-intensive family farms and service industries. In truth, access to Mexico's consumer market is not the plum the big money seeks. The real money will be made on Wall Street. Huge profits will come from closing American factories, putting well-paid Americans out of work, and building new state-of-the-art facilities in Mexico to capitalize on that country's rock-bottom employment and environmental costs and exporting the products and services back to the U.S. and to other markets opened up by the GATT treaty.

"[NAFTA's promoters] have concluded that international wage competition — the race for the bottom — is the way for industry to become competitive in the world."

For evidence of this strategy, one need only look to the AmeriMex Maquiladora Fund L.P., an investment fund created by entrepreneurs in Mexico and New York. According to *The New York Times*, the fund will acquire several U.S. manufacturing firms and move them to Mexico, replacing $7-$10 per hour U.S. workers with Mexicans who earn from $1.15 to $1.50 per hour for the same work. The fund will operate the companies for several years, realizing savings of some $10,000 to $17,000 in labor costs for each employee each year, before reselling the companies and closing out the fund.[26] The Mexican government's largest industrial development bank was a major investor in the fund until this embarrassing fact came to the attention of the American public in February. Hasty damage control in Washington and Mexico City resulted in the bank withdrawing from participation in the investment scheme. In the words of AFL-CIO Secretary-Treasurer Tom Donohue, the fund "is wonderfully revealing of the attitudes behind the enthusiasm for the NAFTA."[27]

In a recent episode of the television program "Wall Street Week," investors of a different stripe were subtly reassured about the benefits that NAFTA would confer upon them. Inflation is the enemy of bondholders, driving interest rates up and the value of bonds down. But when asked about the outlook for inflation, veteran Wall Street analyst Henry Kaufman had this to say:

> *The rate of inflation will remain subdued at around three percent or perhaps even less. I think it's very important to recognize the structural changes that are taking place in the United States that will hold down the inflation rate. After all, restructuring is still very much in force in the United States. Plants closing, corporations downsizing, and internationally the supply of labor is extraordinarily large. So wage demands will be moderate...*[28] [Emphasis supplied.]

This is what NAFTA's promoters really mean when they talk about the "enhanced competitiveness" that the treaty will create.

They have concluded that international wage competition — the race for the bottom — is the way for industry to become competitive in the world. What the million-dollar CEOs and their corporate boards wish to do — have already begun to do — is to cut costs by firing their U.S. workers and moving their plants to Mexico, where labor is cheap, taxes are low, and regulation is lax. In the last few months alone, Outboard Marine Corp., Smith-Corona, and Zenith have announced plans to pink slip 2,350 Americans and move their factories to Mexico. The agreement will assure them that their mission will succeed. Many know they have no choice. They are competing for U.S. market share with China's prison laborers.

In the 1980s, Washington lawmakers wrote the rules that allowed all this to happen. Businesses are simply doing what they must do to survive. If our people suffer, it isn't personal, it's just the demands of the market. In any Darwinian struggle, there is a premium on treachery.

Speaking of the excesses of the 1980s, Donald Barlett and James Steele wrote in *America: What Went Wrong?* "[W]e are in the midst of the largest transfer of wealth in the nation's history. It is a transfer from the middle class to the rich, and from

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the middle class to the poor — courtesy of the people in Washington who rewrote the rules. Those who have taken advantage of the changed rules are beneficiaries of the transfer."[29] NAFTA is chapter two of the same nefarious story.

Ford Had A Better Idea

Unfortunately the transfer of jobs from the United States to Latin America and Asia, and the transfer of wealth to the owners of capital from the users of capital, is a self-perpetuating phenomenon, and it has only just begun. What began as opportunism has become necessity. The competitive imperative of the "global economy" is to produce the world's best products at the world's lowest cost, and that means employing the cheapest labor that can perform the necessary work. If you can find that cheap labor in close proximity to the raw materials and the end markets, so much the better. And if you are the CEO of a big corporation, for your enterprise, you will be richly rewarded.

But this myopic perversion of the social compact spells doom for the American standard of living, and perhaps a deflationary depression unprecedented in our history. The genius of Henry Ford is being profaned by this mindless transfer of wealth away from the middle classes. Ford's vision, which made the great middle class experiment succeed in this country, was that business must share with labor the riches that flow from improved productivity. Only in that way could businesses assure that there would be customers able to buy what they built. Ford believed, and proved, that his business would succeed only if he paid his workers enough so that they could buy his cars.

"The theory of comparative advantage works only to the extent that you are investing your own time in something more productive. ...Drawing unemployment benefits does not qualify."

The supply of cheap labor in the world is virtually unlimited. But our capacity to benefit from it has already been exceeded. The theory of comparative advantage works only to the extent that you are investing your own time in something more productive than the jobs you farm out to others. Drawing unemployment benefits does not qualify.

The Ties That Bind

What everyone should know about NAFTA is that this agreement, if approved by Congress, is the legal equivalent of a treaty; only the procedure for adopting it is different. Whereas a treaty requires a two-thirds vote of the Senate to ratify, this agreement, on the trade-pact fast-track, requires a simple majority of both houses after strictly limited debate. Legally, a trade agreement is no less binding than a treaty. This is important because the U.S. Constitution makes treaties, no less than the Constitution itself, the supreme law of the land:

> Article VI, Sec. 2
>
> *This Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution or Laws of any State to the Contrary notwithstanding.*

The trouble with a treaty is that it creates far-reaching legal obligations to other nations. It limits a nation's freedom to take unilateral action on behalf of it's own citizens. And like any contract, it is much easier to get into than get out of, and getting out comes only at a price. Best to understand the fine print before signing.

This is the key to the sovereignty question. NAFTA shares a feature with the ongoing Uruguay Round of the General Agreement on Tariffs and Trade (which *is* a treaty) — a feature lacking from any previous round of the GATT: a mechanism for ensuring compliance and resolving disputes which appropriates a measure of sovereignty from the member nations, and further consolidates the political power of the plutocrats who conceived it.

Each of these pacts, purporting to put teeth into the trade deal it strikes, usurps a measure of self-determination which properly belongs with the people, and vests it in an autonomous, secretive, and unaccountable panel of trade insiders, mainly lawyers

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and judges, who are "immune from suit and legal process relating to acts performed by them in their official capacity."[30] There does not appear to be any mechanism for ensuring that this so-called "Free Trade Commission" will not be subject to the influence of the same special interests which have purloined the allegiance of our elected officials. The nominal purpose of this organ is to arbitrate disputes between nations in the observance of the treaty's provisions. But the language of these treaties seeks to do more than simply reduce or eliminate tariffs; it goes much deeper than that.

It seems that nations party to previous trading agreements have at times reneged on their commitments to open up certain markets, but not by erecting a tariff, which would be an obvious violation of the treaty. Rather, they have created a technical impediment to a given form of commerce — not a tariff or a quota, but some arcane regulation which effectively prohibits the unwanted competition. It is such "technical barriers to trade" that these panels of bureaucrats were invented to disarm, and which they would be empowered to strike down whenever a party with standing in the dispute filed a complaint.

However, there is a fly in the ointment which could hardly be construed as a careless mistake by our meticulous trade negotiators. Just exactly what is a "technical barrier to trade," has been left sufficiently vague to allow for creative interpretation once the jaws of these treaties snap shut. It is this vagueness, this lack of precision which permeates the text of the North American Free Trade Agreement, which has aroused the concerns of environmentalists and consumer groups. Depending on how these amorphous treaty provisions are interpreted by the aloof trade ministers appointed to deal with such things, NAFTA could spell the end of the Clean Air Act, the Endangered Species Act, the Marine Mammals Protection Act, laws prohibiting oil drilling in the Alaska National Wildlife Refuge, the Aleutian Islands, and the Great Lakes, and the prohibition of the export of Alaskan oil. All of these laws, which manifest values we as a people wish to protect, could be deemed technical barriers to trade or investment by a trade tribunal.

Conceivably, it would not even be necessary that a petition to overthrow such laws originate in a foreign country. For example, an American company, finding some pesky U.S. regulation (such as Florida's ban on offshore oil drilling) interfering with its business interests, need only set up a subsidiary in Mexico to succeed to those interests, and then find a trade-related pretext for arguing that the offending regulation is a technical barrier to trade, and ask the tribunal of trade lawyers to abolish it.

"...it is not our business to become intimately involved in determining the internal affairs of Mexico or any other country."

The enforcement power of this tribunal, should diplomacy between all of the like-minded bureaucrats fail, would be trade sanctions against the obstinate party. Just remember, the U.S. Constitution makes treaties, no less than the Constitution itself, the supreme law of the land. The specter of this over-arching multilateral body having a supra judicial review of laws passed by the United States, whenever a foreign interest is inclined to deem such laws inconsistent with the aims of the treaty, is simply beyond the pale for many Americans. Yet this legitimate anxiety over the potential for trade treaties to compromise U.S. sovereignty and abridge the Constitution is not without precedent. The Bricker Amendment was several times proposed (and narrowly defeated in Congress) in the early 1950s to address this issue. The Constitution says treaties made by the U.S. are the law of the land; does that mean even when they conflict with that same Constitution? Bricker sought to make sure that no law created by a trade treaty would stand if that same law would be unconstitutional without the treaty.

Patience and Prudence

The United States Congress should carefully consider what the people of the United States stand to gain — or lose — from a free trade agreement with Mexico. Above all, the United States government should not be in the business of guaranteeing the foreign investment schemes of private interests. On the contrary, our government should, indeed it must, make the U.S. more attractive to investors who will create jobs here at home.

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Mexico is a nation with enormous problems — problems which the United States cannot solve. An exploding population nearing 90 million, overwhelming poverty, endemic corruption, crime, and strangling debt. The U.S. should applaud and encourage progressive reforms in Mexico, but we should not stake our own future on the success or failure of another country. We would be wise to heed George Washington's admonishment in his farewell address to beware of entangling foreign alliances, be they military or economic. We must not become entangled in a web of paralyzing trade covenants in which the failures of one country endanger the rest because of their growing trade interdependence. Nor should these pacts place the exigencies of trade and the interests of huge multinational corporations above the general welfare and the Constitutional rights and freedoms of the people to manage their own affairs. We must keep clearly before us the purposes for which our Constitution was adopted as stated in the Preamble:

> *We the people of the United States, in order to form a more perfect union, establish justice, insure domestic tranquility, provide for the common defense, promote the general welfare, and secure the blessings of liberty to ourselves and our posterity, do ordain and establish this Constitution for the United States of America.*

Mexico's economic reforms of recent years have yielded benefits to the United States without any complicated treaties. We enjoy a trade surplus with Mexico at present. (Never mind that over half of all U.S. "exports" to Mexico are actually soon-to-be U.S. imports, semi-finished goods bypassing American workers through the *maquiladora* factories.) If Mexico chooses to continue along the rocky path towards true democracy and free enterprise, perhaps our relationship will continue to be beneficial. But it is not our business to become intimately involved in determining the internal affairs of Mexico or any other country. Ultimately, it will be the people of Mexico who will choose their own fate, NAFTA or no NAFTA. We cannot ensure their prosperity, but we can easily squander our own.

In spite of the benefits we have realized, we should also be aware of the tragedy our intercourse with Mexico has wrought. Most of the 600,000 Mexicans employed in U.S.-owned maquiladora factories live in squalor, with incomes barely enough to subsist on in their shanty towns, lacking electricity, potable water, even sanitary facilities. Open sewers choked with heavy metals, toxic chemicals and human waste course through the makeshift villages. The American Medical Association describes the maquiladora region as "a virtual cesspool and breeding ground for infectious disease."[31] There is no EPA here, and no OSHA. Scores of children have been born defective because of the toxins their mothers were exposed to in the maquila factories.[32] But the pollution tolerated by Mexico is not confined to the border region. A single federal inspector is assigned to an area along the Coatzacoalcos River in Veracruz state where 6,000 factories add a toxic stew of petroleum, mercury, lead, sulfur, acids, and phenol to the raw sewage contaminating the river.[33]

"But if we are determined to marry the economies of the United States and Mexico, let us take our vows of poverty now..."

Corruption is woven into the social fabric of Mexico. It is naive to believe that a trade pact will change that. Reports indicate election fraud in 1988 brought Mexican President Carlos Salinas to power.[34] Since 1929, the IRP (Institutional Revolutionary Party) has never lost a presidential election. Political repression is the order of the day. According to a report for the World Policy Institute's Mexico Project, "Torture is universal; and dozens of journalists, more than 100 members of political opposition parties, and a prominent human rights advocate have been murdered since Salinas took office."[35] Yet NAFTA boosters frequently trumpet the "stability" NAFTA will bring to Mexico by bolstering the IRP regime.

The American road to economic hell has been paved with the good intentions of U.S. trade negotiators. NAFTA was conceived to profit the captains of industry and finance, not to "promote the

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general welfare," as the Preamble to our Constitution envisions. Congress should put an end to this charade once and for all.

But if we are determined to marry the economies of the United States and Mexico, let us take our vows of poverty now, because Mexico's problems will be our problems. ■

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Just as Germany's asylum law that was forged in the heat of East-West conflicts has had to be revised in the wake of further developments, so Israel's welcome of all Jews in the wake of the Holocaust is coming under pressure from changing circumstances. This column, submitted from Jerusalem, appeared in The Australian *of August 14-15, 1993.*

"Converts" Threaten to Swamp Israel

By Asher Wallfish

If all the Africans, Asians and Latin Americans who have claimed Jewish descent over the past couple of years settled in Israel, this tiny country would be swamped and bankrupt into the bargain.

The latest claimants to the birthright of Abraham are a four-million-strong tribe from Northern Ethiopia called "the Semitic people of Gihon." The Israeli embassy in Addis Ababa cabled an astounding report to Jerusalem this month that Palga Gion, as the tribe calls itself in Amharic, has demanded recognition as a Jewish community.

The Palga Gion say they are quite distinct from the better known Ethiopian group called Falashas, 40,000 of whom have already settled in Israel after a saga of heroic treks on foot across mountains and deserts in which many perished. The embassy reported that the Palga Gion, who inhabit the Gojam region between Addis Ababa and Gondar, has asked the Ethiopian government for recognition as a separate ethnic group. Simultaneously, they sought permission from the Prime Minister, Mr. Rabin, to open a liaison bureau in Jerusalem.

The Israeli ambassador, Mr. Haim Divon, reported that Palga Gion members observe the Sabbath as the weekly day of rest, have Biblical names and keep some Jewish religious commandments. Claims of Mosaic parentage, going back twenty-seven centuries, are most common on the famished African continent. Anthropologists in Nigeria reported many Ibos in Biafra claimed descent from the Israelite tribe of Ephraim.

In South Africa, the Lamba tribe say their Jewish forefathers migrated there from Ethiopia centuries ago. This year hundreds demonstrated in Somalia and Eritrea demanding recognition as Jews.

All these African Judeophiles, like the 750,000-strong Tchiang tribe in the north-east Indian states of Mizoram and Manipur, date their enforced departure from the Holy Land, in their oral traditions, to the period before and during the Assyrian and Babylonian exiles of 719 and 586 B.C. respectively. The Tchiang believe they are remnants of the Israelite tribe of Manasseh.

"These potential converts want to escape their plight in their present countries and come here to seek a better life. But we cannot saddle ourselves with their problems."

With the number of Third World residents claiming to be Jewish, now as numerous as the Jewish population of Israel, the government here [in Jerusalem] is uneasy. The Minister of Immigration, Mr. Ya'ir Tsaban, albeit a left-winger and a liberal in every other respect, was anxious in a press interview this week. "If legendary connections with the Jewish people become an excuse for mass conversions and the converts settle here as they are legally entitled, the State of Israel will no longer be the same," he said.

"These potential converts want to escape their plight in their present countries and come here to seek a better life. But we cannot saddle ourselves with their problems."

Jerusalem University Professor Steve Caphan, who is an expert on the Ethiopian Jewish community, said this week: "Half of the population of Northern Ethiopia believe their ancestors were Jewish. The Law of Return was legislated when no one imagined the day would come when non-Jews would relate to the fate of the Jews as a prize," he said. "Who knew anyone who would want to share our fate?" ■

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John Sullivan is a legal researcher specializing in affirmative action.

Immigration's Effect on Poor Blacks

By John Sullivan

Apparently, the rain helped stop the riot. Four years ago, on the day after Martin Luther King Day, an Hispanic policeman in Miami killed a black motorcyclist and his passenger with a single gunshot. The death led to three days of rioting in Overton, Liberty City and Coconut Grove, the very poor, mostly black sections of the city.

When the Colombian-born officer was acquitted of manslaughter over Memorial Day weekend, there were fears of renewed rioting. But a strengthened police presence, the calming influence of community leaders, and an unseasonably chilly rainstorm reduced the feared rioting to a few scattered disturbances.

The most frequent explanation offered for an outburst following acquittal of a police officer is racism. Certainly racism or at least the perception of racism is a partial explanation. But there is a more direct catalyst for these outbursts: immigration.

Do immigrants replace native-born workers or merely displace these workers who move on to other, perhaps better, jobs? When viewed in terms of overall American society, this question has not been conclusively answered. When the question is restricted to the urban, mostly black underclass, there is no doubt: immigration is devastating.

The effect of immigration on poor blacks has long been noted. In Los Angeles recently, President Clinton was angrily questioned by a young black man about reducing continued, widespread immigration. Few, however, have considered the link between immigration and affirmative action. What happens to affirmative action when immigration turns a minority into a majority?

Miami may be the most dramatic example of how immigration and affirmative action can conflict. Although it is now "the capital of Latin America," prior to 1959 there was little Hispanic influence in Miami. Then, the first wave of Cubans, the professionals fleeing Castro, arrived. There have been other surges of Cuban refugees since, sudden influxes like the Mariel boatlift of the early '80s. Those fleeing the poverty, wars and dictatorships of the Caribbean and South and Central Americas have further swollen the city's Hispanic population.

While no single group dominates Miami, Hispanics are clearly in the ascendancy. The Anglo share of the population has plummeted from 80 percent to barely 30 percent in three decades. In that time Hispanics have grown from 5 percent to 50 percent of the population. Blacks have remained around 20 percent.

Blacks have remained in poverty as well. In 1960, black and Hispanic family incomes were virtually identical. Today, blacks are caught well below the poverty line while Hispanics have risen well above it. Their success has often come at the expense of blacks. One example of this displacement is gas station ownership. In 1960, blacks owned one-fourth of all gas stations in Dade County. Their market share 20 years later had dropped to less that one-tenth. By then Hispanics owned nearly half the stations in the county.

Affirmative action has not kept pace with these demographic and economic shifts. The affirmative action programs for the Dade County school board and fire department are typical. Hispanics, blacks, Asians, Native Americans and women are all considered eligible minorities.

The minority business program for the City of Miami is less typical but perhaps more instructive. Initially, the program had goals of 25 percent Hispanic and 25 percent black participation in city contracting. When women joined the program, the total goal was raised to 51 percent. No explanation was offered for this particular number, which was seemingly chosen since it can be divided equally among three groups.

Where does this leave the city's blacks, who are sharing affirmative action benefits with other, less disadvantaged groups? Thirteen years ago, a resident of Miami supplied an answer to that question which is just as valid today. During the height of the Mariel boatlift, there was extensive rioting after the acquittal of police officers charged with the beating death of a black motorist. "They bring everybody to Miami," the black man explained. "Nicaraguans, Cubans, Haitians. And we're still on the bottom." ■

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Mr. James is the author of a 1991 study, "Illegal Immigration — An Unfolding Crisis" (University Press of America). This opinion piece appeared in The Wall Street Journal *on June 24, 1993, is a copyright of Dow, Jones Inc., and is reprinted by permission.*

To Cut Spending, Freeze Immigration

By Daniel James

The Battle of the Deficit goes on, with no sign of a letup. But part of the solution lies under our very noses. All Congress need do to cut spending is cut immigration.

Immigrants residing in the U.S. cost U.S. taxpayers more than $45 billion annually, according to *The Costs of Immigration*, a just-released study by Donald L. Huddle, professor emeritus of economics at Rice University in Houston. Mr. Huddle projects that in the 1993-2002 period the "net cost to taxpayers of all immigrants [in the U.S.] will total over $450 billion" — nearly the total of President Clinton's five-year deficit-reduction goal — at the present rate of immigration.

Indeed, Mr. Huddle's calculation is conservative, as he himself notes, for it is predicated on an annual influx of 810,000 legal and 300,000 illegal immigrants, 1.1 million altogether; Tulane University demographer Leon Bouvier projects an inflow of as many as 1.5 million legal and illegal immigrants yearly in the '90s.

Professor Huddle's study, the most complete of its kind, covered a total of 18.1 million immigrants present in the U.S. in 1992. They included both legal and illegal immigrants, as well as illegals granted amnesty under a 1986 law, refugees, and those granted asylum. The study examined costs at all levels of government that year, "above and beyond the taxes they paid." They are, in short, net costs.

Education for all immigrants represented the biggest costs: Primary and secondary education cost $12.8 billion in 1992; public higher education, $2.4 billion; English as a second language and bilingual education, $2.8 billion.

Illegal immigrants, Mr. Huddle found, are getting a free ride thanks to such programs as Aid to Families with Dependent Children (AFDC). Increasing numbers of illegals bear children on U.S. soil. These newborns automatically become U.S. citizens entitled to food stamps and the like, collected by their parents or guardians. AFDC for illegals cost us $820 million in 1992.

Other studies have noted the unusually large percentage of children born in the U.S. to illegals. Los Angeles County's Administrative Office reports, for example, that in fiscal 1990-91, 62.6 percent of all births in the county — 35,912 out of a total of 57,366 — were "Undocumented Alien Births." Their net cost to the county was $30 million.

All told, the "single-year 1992 cost of all public services, education, criminal justice and correction programs for the 4.8 million illegal [covered by the Huddle study] was $7.751 million."

Mr. Huddle used 22 separate cost categories to arrive at his estimates of legal immigration costs, ranging from Primary/Secondary Public Education to Criminal Justice/Corrections, and 14 categories for illegals (who are ineligible for certain programs). His sources were both official documents and other studies made by demographic and immigration experts. He factored in the amount of taxes — income, property, sales, and so on — paid by immigrants, based on official studies by the state of California and federal sources such as the Commerce Department's Statistical Abstract and reports on individual tax returns.

All this enabled him to calculate that taxes paid by the flow of legal immigrants in fiscal 1992 was $720.7 million. Subtracting that amount from the costs of 22 programs used by the 1992 flow, which totaled $2.58 billion, resulted in a net cost of $1.86 billion.

Infinitely more difficult to measure was the cost of displacement of U.S. workers by immigrants. In the first place, do immigrants take jobs from Americans?

That question has been bitterly debated for years. Powerful voices argue that the millions of newcomers who arrive here annually make a net positive contribution to the economy; hence, we need more of the them. Julian Simon, an economics professor at the University of Maryland, contends

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that "general immigration causes little or no unemployment ... even among groups most likely to be 'displaced' by them" (i.e., blacks and Hispanics), as he wrote in his book *The Economic Consequences of Immigration.*" On the contrary, he adds, immigrants actually "make jobs." Echoing his view, *The Wall Street Journal* goes so far as to urge that we adopt a "five-word constitutional amendment: there shall be open borders."

"If Congress is serious about making spending cuts, it can begin by repealing the 1990 immigration law, and declaring a moratorium on all immigration..."

But Mr. Huddle's findings contradict their arguments. He analyzed labor displacement costs as a separate category, defining such displacement "broadly" as the "number of American workers who are not able to work as a consequence of the presence of 100 immigrant workers." Basing his study on three field surveys he had made previously (1983, 1985, and 1990), he found a "net coefficient of displacement of 25 percent" for unskilled nonfarm workers under present economic conditions. Intricate and minute calculations led him to estimate that more than two million American workers were displaced by 1992 by the 19 million legal, illegal and amnestied immigrants in this country.

The costs of high rates of labor displacement are great. For Americans displaced in 1992 by legal, illegal and amnestied illegal immigrants, the costs to taxpayers in terms of public assistance — Medicaid, AFDC, food stamps, unemployment compensation and general assistance — totaled $15.7 billion. That figure excluded "all private costs, such as wages and fringe benefits, to the displaced workers."

Ironically, U.S. organized labor, while fighting the proposed North American Free Trade Agreement chiefly on the ground that it will "export" jobs to Mexico, ignores this grimmer reality: Our immigration policy has led to the "importation" of two million workers who have displaced Americans.

The culprit is not Mexico, of course, but the Immigration Act of 1990, which increased legal immigration by 40 percent and stimulated record illegal immigration.

If Congress is serious about making spending cuts, it can begin by repealing the 1990 immigration law and declaring a moratorium on all immigration until, at least, we have put our finances in order. (Spouses and minor children of legal immigrants now residing here should be excepted.) That would save us $30 billion, including the cost of currently dependent and future illegal immigrants, of the more than $45 billion all immigrants now cost us annually. But Congress will have to act now while budget negotiations are in progress.

The president should call both houses of Congress into special session to freeze all immigration forthwith. ■

Overpopulation is bad but overconsumption is worse

"After a recent lecture, two people objected vehemently to my suggestion that we in industrialized countries are the major cause of global ecological degradation and pollution... we 1.1 billion people in industrialized nations have the same ecological impact as 17 billion to 77 billion people from the developing world! The planet certainly could not take 5.5 billion people living as we do."

— Geneticist David Suzuki, University of British Columbia
Vancouver, Canada

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Charlie Reese is a columnist with The Orlando (FL) Sentinel. *This item appeared in their September 9, 1993 edition and is reprinted with permission.*

America's Worst Problems Can Be Helped

By Charlie Reese

If you want to do something to preserve the environment, stop immigration.

If you want to do something about the crime problem, stop immigration.

If you want to get the U.S. economy out of the permanent doldrums, stop immigration.

If you want to stop the rise of political extremism, stop immigration.

Otherwise, all your efforts to preserve the environment, to bring peace to America's cities, to get people working again, and to make sure our politics remain moderate and pragmatic will ultimately be in vain. Numbers of people is at the root of all of the above.

Numbers of people is the key stress factor in causing environmental damage. Numbers of people of disparate cultures competing for fewer and fewer jobs is driving down the standard of living in the United States. Numbers of people and Congress' refusal to face the problem is lending weight to appeals made by political extremists.

It is not really an exaggeration to say that the world today has only one problem — population. It is not really an exaggeration to say that the greatest threat to planet Earth comes from one thing — population. It is not really an exaggeration to say that the greatest threat to the human race is one thing — population.

Since we live in the United States, our first step in controlling population growth should be to stop immigration, which is the main source of population increase. Bear in mind that population must always be measured relative to the carrying capacity of the area occupied by the population. Too many people is the point beyond which the area occupied can no longer sustain life.

In the past, surplus population just migrated to a new area. We are descendants of such a migration. What destroyed the world of the Native Americans was not soldiers or congressional policies or treaties not kept — it was uncontrolled immigration. All the bad things that happened to the Native American happened because of population increase from immigration. And now it's our turn.

In the 1940s, our population was about 150 million. Now it's about 250 million. By 2020 it will be about 350 million. I can tell you from personal observation that just going from 150 million to 250 million has been going halfway to hell.

For a variety of reasons, population growth is not a popular topic. Conservatives, I suppose, believe growth means growth of sales and always use the lame excuse that economic development will cure the problem of population growth. That's a dead fish on a hot pier. Ask the people of India and the Chinese how population growth has helped their economies.

Religious folk sometimes equate population control with forced abortions and forced euthanasia, but surely there is a middle ground between extremes of doing nothing and doing terrible things.

Our first priority as Americans should be simply to stop immigration. I argue for stopping it completely because the way our political system works, if you argue for zero immigrants, you'll get some reduction, but if you argue for some reduction, you are apt to get no reduction at all. I would like none; but I'll settle for less.

What I would most like, however, is for the problem of population increase to receive the attention it deserves from journalists and politicians who, for some strange reason, find it more important to discuss allegations against rock singers and the marital affairs of English royalty or some vagary of the weather.

Misplaced priorities involving one's attention is probably the base cause of the demise of both individuals and countries. ■

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Peter Brimelow is a senior editor at FORBES *magazine, from which he is currently on leave and working on a book about immigration policy.* *Reprinted by permission of* FORBES *magazine, August 30, 1993. © Forbes Inc., 1993.*

The Closed Door

By Peter Brimelow

Immigration is on the world's mind. In the U.S. which had 974,000 legal immigrants last year, President Clinton just announced measures aimed at curtailing the estimated 300,000 illegal immigrants also arriving annually. In Germany, France and even in Australia, intakes have been cut back, and immigration has become a hot political issue. But there's one place immigration won't be reduced: Japan. There's already virtually none.

Japan is not discussed at all in University of Maryland economist Julian Simon's *The Economic Consequences of Immigration*, one of the most celebrated texts on the subject. Simon argues forcefully that immigration is a good thing economically. Yet Japan has still achieved the highest sustained long-run growth rate of any major industrialized country. How?

Interviewed by *FORBES* (April 2, 1990), Simon said: "How Japan gets along I don't know. But we may have to recognize that some countries are *sui generis*."

The recent political turmoil in Japan may lead to some fundamental changes. But immigration is not likely to be affected much, judging by *FORBES'* recent conversation with a Japanese consular official who wished to remain anonymous.

FORBES: I'd like to know the procedures to follow to immigrate to Japan and obtain Japanese citizenship.

Anonymous Japanese Official: [Complete surprise and astonishment] Why do you want to immigrate to Japan? ...There is no immigration in Japan.

FORBES: No political refugees or asylum seekers?

Anonymous Japanese Official: There might be three people a year who become Japanese. [chuckles]. And even they don't stay long, they try to go elsewhere, like the U.S.

He's not joking. Japanese entry statistics don't seem to recognize the concept of an immigrant, as opposed to a visitor. So *FORBES* has used the stock of legal permanent foreign residents in Japan — roughly equivalent to U.S. green card holders — as a proxy for immigration flow.

In 1991 there were about 900,000 permanent foreign residents in Japan legally, significantly less than one percent of Japan's 124 million population. This proportion has remained remarkably stable. (Japan's illegal population is reportedly increasing but still minute at perhaps 300,000 total.)

By contrast, according to Washington, D.C.'s independent Center for Immigration Studies (CIS), foreign-born residents are almost 9 percent of the 258 million U.S. population. (This estimate includes some illegals, but CIS says this would wash with the undercount of legals.) And the U.S. foreign-born population is rising rapidly — according to one estimate, to 12 percent by 2010.

Since 1945 a mere 222,000 foreigners have acquired Japanese citizenship, including those who have married Japanese. By contrast, over 8 million have become Americans.

"Japan's zero-immigration policy may seem unpleasantly chauvinistic to most Americans. But it clearly has not prevented the most remarkable economic performance of the post-World War II era."

Underpinning Japan's radically different immigration policy: what appears to be a rigorous national consensus about what is means to be Japanese. This is a particularly unpleasant problem for the small Korean-descended minority in Japan. "It's only Westerners who think they can tell Koreans from Japanese," says Jared Taylor, a

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Louisville, Kentucky-based consultant and author of *Shadows of the Rising Sun: A Critical View of the "Japanese Miracle."* "The Japanese can't. But Koreans are regularly fired, have their engagements broken off, when their ancestry is discovered."

Japan's zero-immigration policy may seem unpleasantly chauvinistic to most Americans. But it clearly has not prevented the most remarkable economic performance of the post-WW II era. GNP is up nearly ten times since 1955 and is now perhaps about half that of the U.S., which has not quite tripled in the same period. How has Japan done it?

One partial answer: capital investment. It is clear that the Japanese do save and invest more. According to the OECD, Japan's gross savings ratio in 1990, almost 35 percent, was 20 points above that of the U.S. And its gross fixed capital formation had averaged 9 percent growth over the previous five years, more than three times the American rate. This could mean that the Japanese, by substituting capital for labor, can grow without requiring additional bodies.

"The basic reason for Japan's immigrantless expansion goes to the fundamental causes of economic growth."

But economists are uneasy about the applicability of these statistics. And some major industrial countries come significantly nearer the Japanese savings and investment rate without matching its growth. Moreover, Japan achieved impressive growth rates before World War II, although its savings rate was then much lower.

The basic reason for Japan's immigrantless expansion goes to the fundamental causes of economic growth.

"However surprising it may seem to laymen, growth in capital and labor is relatively minor as a determinant of economic achievement," says Peter Bauer (Lord Bauer), the famous British development economist (*FORBES, Feb. 22, 1988*). "For example, the work of Simon Kuznets [such as his *Modern Economic Growth: Rate Structure and Spread*] showed that increase in capital and labor together accounted for no more than 10 percent of the West's increase in output over the last 200 years, and possibly less. The balance was caused by innovation —new ideas, new institutions, new ways of working.

"There's no question that the key to Japanese economic growth is not the savings rate but institutional innovation," says Chalmers Johnson, a prominent Japan-watcher at the University of California, San Diego.

"It goes beyond substitution [of capital for labor]," agrees Kent Calder, director of the Program on U.S. Japan Relations at Princeton University. He points out that when Japan's textile industry began to press for immigrant labor in the 1960s, "the bureaucracy quietly clamped down on it." Instead, the industry automated, focused on higher-value-added synthetics and ultimately moved low-skill production overseas.

Both Johnson and Calder expect marginal increases in Japan's use of contract foreign labor, long-term "trainees" and other subterfuges. But no fundamental change.

Japan has a demographic problem — a rapidly aging population. But it also still has surprisingly large reservoirs of underutilized labor — which in turn shows how effective innovation in its efficient sectors must be.

More than 7 percent of Japan's work force is still in its highly protected agricultural sector, two or three times the U.S. or U.K. proportion. Thus, allowing more food imports not only would benefit Japanese consumers but also would free additional domestic labor for other uses. Japanese women of childbearing age leave the work force more than in other industrial economies. Women who do work are notoriously restricted. So, by opening more opportunity to women, Japan could create yet more available workers from the existing population base. Finally, Japan's fragmented distribution sector is heavily overstaffed.

The bottom line: With innovation and better use of its existing labor force, Japan could well continue to prosper without opening its islands to immigration. Recently *FORBES* asked immigration advocate Julian Simon: Given Japan's apparent demonstration that growth through innovation is a viable alternative, is immigration necessary for the U.S. economy?

"I've never said it's *necessary*," Simon replied. Beneficial, in his opinion. But not a *sine qua non* of sustained growth. ■

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Population Growth and the Clouds of War

By William H. McNeill

[In World Wars I and II] war aims and political ideologies may have misled all concerned; but behind the bitter struggles one can surely discern a demographic factor as ineluctable as the geometry of power rivalries.

This perception offers a second approach to an understanding of the two wars. For if the democratic and industrial revolutions were, among other things, responses to a population squeeze that impinged on western Europe toward the end of the eighteenth century, the military convulsions of the twentieth century can be interpreted in the same way — as responses to collisions between population growth and limits set by traditional modes of rural life in central and eastern Europe in particular, and across wide areas of Asia in rather more diversified and variegated fashion as well. Assuredly, a basic and fundamental disturbance to all existing social relationships set in whenever and wherever broods of peasant children grew to adulthood in villages where, when it came time for them to marry and assume adult roles, they could not get hold of enough land to live as their forefathers had done from time immemorial. In such circumstances, traditional ways of rural life came under unbearable strain. Family duties and the moral imperatives of village customs could not be fulfilled. The only question was what form of revolutionary ideal would attract the frustrated young people.

Ever since the mid-eighteenth century, European and world populations have been out of balance. Lowered death rates allowed more children to grow to adulthood than in earlier centuries; but birthrates did not automatically adjust downward. Quite the contrary, they were likely to rise, since with fewer lethal epidemics, couples more often survived throughout their childbearing years.[1]

For a century or more in central and eastern Europe, increasing numbers simply meant increasing wealth. More labor improved cultivation, broke new land to the plow, and intensified agricultural production in many different ways. Nevertheless, such responses had a limit; and by the 1880s it seems clear that diminishing returns had set in drastically in nearly all European villages situated between the Rhine and the Don. This was signalized by two changes. First, between 1880 and 1914 emigration assumed extraordinary proportions, carrying millions across the seas to America and projecting other millions eastward into Siberia as well. Second, diverse forms of revolutionary discontent began to affect villagers as well as townspeople in central and eastern Europe during these same decades.

"Diverse experiences in coping with population growth go far to explain the attitudes and behavior of the European powers on the eve of World War I."

Pressures on village custom and traditional social patterns intensified until 1914, when World War I diverted their expression into new channels and by killing many millions of people in central and eastern Europe, did something to relieve the problem of rural overpopulation. But it was not until World War II brought much greater slaughter as well as massive flights and wholesale ethnic transfers that central and eastern European populations replicated the French response to the revolutionary upheavals at the beginning of the nineteenth century by regulating births to accord with perceived economic circumstances and expectations. As a result, after 1950, population growth ceased putting serious strain on European society.[2]

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Diverse experiences in coping with population growth go far to explain the attitudes and behavior of the European powers on the eve of World War I. By mid-century France and Great Britain had each in its own contrasting way gone far to resolve the internal tensions that rapidly rising rural populations had created in those lands between 1780 and 1850.[3] Rising real wages registered this fact during and after the 1850s. Deliberate limitation of births among the French tied population growth to economic experience and expectation. In Great Britain, those who could not find satisfactory work at home went abroad, where careers in lands of European settlement were readily available.[4]

"[Before 1917] in the regions of Europe lying south and east of Germany, industrial expansion entirely failed to keep pace with population growth."

Russia's position was like that of Great Britain in the sense that migration towards a politically accessible and thinly inhabited frontier was available to rural folk who faced unacceptable constriction of traditional patterns of life in their native villages. Between 1880 and 1914 something over six million Russians migrated to Siberia and about four million established themselves in the Caucasus as well. Simultaneously, from the westernmost provinces of Russia an additional flood of about two and a half million emigrated overseas, though most of these were Poles and Jews, not ethnic Russians.[5] These safety valves were supplemented by expanding urban employment, thanks to railroads and the manifold forms of industrial and commercial expansion provoked by cheapened overland transport. Nevertheless, much of rural Russia simmered with discontent in the first decade of the twentieth century, as demonstrated by the sudden flare-up of revolutionary violence in 1905-06.

The really difficult demographic problem of the late nineteenth and early twentieth centuries came in the regions of Europe between the French and British on the west and the Russians on the east. In Germany, for example, the average annual surplus of births over deaths in the decade 1900-1910 was 866,000, yet Germany's remarkable industrial and commercial expansion provided so many jobs that Polish farm workers had to be imported to cultivate east German estates.[6] Nonetheless, the strains rapid urbanization put upon older patterns of life were very great. Germany's ruling elites were mostly drawn from rural and small-town backgrounds and often felt endangered by the new, thrusting urban elements. Marxist revolutionary rhetoric, popular among industrial workingmen, was particularly frightening. Simultaneously, many Germans felt endangered by impending Slavic inundation from the east. The result was a strong sense of beleaguerment and a more rigid, reckless support of Austria-Hungary in the summer of 1914 than would otherwise have seem sensible.[7]

It is ironic to reflect on the difference between German and French developments. Had the German old regime been less successful in coping with the population surge in the nineteenth century, some sort of revolutionary movement might well have come to power in Germany with an attractive, universalist ideology, suited to appeal to other peoples of Europe as the ideals of the French revolutionaries had done in the eighteenth century. But instead, the German bid for European hegemony was fought out in the name of narrowly exclusive, nationalist, and racist principles, designed rather to repel than attract others. Success in industrializing so rapidly, in other words, may have foreclosed Germany's longer-range chances of winning the wars of the twentieth century in the name of some form of revolutionary socialism. Marxist prescriptions for the future thus went astray. Instead, by a twist of fate that would have appalled Karl Marx, after 1917 the Russians made Marxism the ideological instrument of their state power.

Before 1917, however, this remarkable reversal of roles was unimaginable. In the regions of Europe lying east and south of Germany, industrial expansion entirely failed to keep pace with population growth.[8] Consequently, the most acute manifestations of political distress appeared within the borders of the Hapsburg and ex-Ottoman empires. (Russia's Polish provinces belong in this category too.) Overseas emigration, though very great,[9] was insufficient to relieve the problem. Youths who pursued secondary education in hope of qualifying for white-collar employment were strategically situated to communicate revolutionary

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political ideals to their frustrated contemporaries in the villages. They did so with marked success, beginning as early as the 1870s in Bulgaria and Serbia,[10] and at somewhat later dates in other parts of eastern Europe. The Balkans, accordingly, became the powder keg of Europe. It was appropriate indeed that the spark that triggered World War I was struck by Gavrilo Princip, a youth whose efforts at pursuing a secondary school education had entirely failed to provide him with satisfactory access to adult life but had imbued him with an intense, revolutionary form of nationalism.[11]

World War I did something to relieve rural overcrowding in central and eastern Europe. Millions of peasant sons were mobilized into the rival armies and something like 10.5 million died.[12] In the aftermath, nationalist revolutions in the Hapsburg Empire (1918-19) and socialist revolutions in Russia (1917) did little to relieve peasant overcrowding. Except in Hungary, both forms of revolution did succeed in depriving prewar possessing classes of most of their landed property. But land redistribution among an already impoverished peasantry did little to improve productivity. Indeed it usually worked in an opposite way, since the new owners lacked both capital and know-how with which to farm efficiently. The postwar settlement therefore quite failed to relieve the difficulty of too many people trying to pursue a traditional peasant style of life. The Russians responded between 1928 and 1932 with a state program of industrial investment supported by forcible collectivization of agriculture. In the rest of eastern Europe, when depression came in the 1930s, rural distress commonly found anti-Semitic expression, since Jewish middlemen were numerous enough to be vulnerable to the charge that they prospered by buying cheap and selling dear at the peasantry's expense.

Hence it was not until World War II provoked a far more massive die-off in eastern Europe, totaling perhaps as many as 47 million[13] that a more brutal but enduring solution to the problem of too many people trying to live on too little land emerged. For it was during and after World War II that the inhabitants of eastern Europe began to limit births. Birthrates swiftly sank towards a much lower level than before; so low, indeed, that in some countries population replacement ceased to be assured without alien immigration.[14]

As births came into systematic relation with economic expectations all across the face of Europe,[15] the crisis period through which central and eastern Europe had passed between 1880 and 1950 came to an end. Family patterns and sex habits changed; customs and mores of peasant life altered; and the demographic regime that had fomented World Wars I and II ceased to prevail.

"...revolutionary expressions of rural frustration when insufficient land is available to allow young people to live as their parents had done have not vanished from the earth."

Elsewhere in the world, of course, the demographic surge followed different rhythms. In China, for example, collision between mounting rural population and available land became acute as early as 1850 and 1850-64.[16] Asian peasantries did not again respond to revolutionary ideals on a massive scale until after World War I. Suffice it here to refer to the career of Mohandas Ghandi (1869-1948), whose first successful efforts to appeal to the rural classes of India dated from the early 1920s and to that of Mao Tse-tung (1893-1976), whose mobilization of Chinese peasant support for his version of Marxism dated from 1927. The linkages that prevailed in Europe between overcrowding on the land and revolutionary politicization of rural populations were duplicated in much of Asia during ensuing decades,[17] and in some regions of Africa as well. But conditions varied greatly from region to region, and in many tropical climates disease regimes that kept human numbers efficiently in check continued to prevail until after World War II.

Japan's twentieth-century imperial aggression coincided with a surge in that nation's population growth that crested only after World War II, although maximal rate of increase came earlier.[18] But World War II brought decisive metamorphosis to Japanese rural life, and, after the war, birthrates started down at almost the same time as in central and eastern Europe. To all appearances, therefore, Japan also passed through its version of the modern

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demographic crisis during World War II just as most of Europe did.[19]

Obviously, revolutionary expressions of rural frustration when insufficient land is available to allow young people to live as their parents had done have not vanished from the earth. Outbreaks in Latin American, parts of Africa, and in southeast Asia continue to occur. But for World Wars I and II, Japan's population surge, and the chronologically parallel crisis in eastern and central Europe was what mainly mattered. Having changed their demographic pattern, these lands are unlikely to become again the seat of comparable military-political unrest. ■

NOTES

[1] On the concept of "vital revolution" see K.F. Helleiner, "The Vital Revolution Reconsidered," in D. V. Glass and D.E.C. Eversley, *Population in History* (London, 1965), pp 79-86; Ralph Thomlinson, *Population Dynamics: Causes and Consequences of World Demographic Change* (New York, 1965), pp. 14 ff.

[2] For an overview of the population phenomena of the war era see Eugene M. Kulischer, *Europe on the Move: War and Population Changes, 1917-1947* (New York, 1948).

[3] Britain's Irish problem was not exactly solved by the catastrophe of the potato blight and resultant famine of 1845-46; but population growth abruptly gave way to population wastage in Ireland, thanks to accelerated emigration and rigorous postponement of the age of marriage until the newlyweds could inherit land. After 1845 the political tensions of Ireland were therefore no longer fed by rising population but took especial venom from the prolonged sexual frustration which became the normal lot of Irish countrymen waiting to inherit land before they dared to marry. On the psychological and sociological consequences of the remarkable demographic regime that prevailed in Ireland after the famine see Conrad Arensburg, *The Irish Countryman* (London, 1937).

[4] Chain migration whereby one successful emigrant saved money to finance his relatives' emigration made it possible for even the very poor to get across the ocean in statistically significant numbers. As a result the emptying-out of English villages with the decay of crop farming after 1873 produced no serious political disturbance in Great Britain. It did raise the tide of emigration from the British Isles to an all-time high in the years 1911-13. Cf. R.C.K. Ensor, *England, 1870-1914* (Oxford, 1936), p. 500.

[5] Marcel Reinhard, André Armengaud, and Jacques Dupaquier, *Histoire générale de la population mondiale*, 3d ed. (Paris, 1968), pp 401, 470; Donald W. Treadgold, *The Great Siberian Migration* (Princeton, 1957), pp. 33-35.

[6] Between 1880 and 1914 nearly half a million German farm workers left the east. According to William W. Hagen, *Germans, Poles, and Jews: The Nationality Conflict in the Prussian East, 1772-1914* (Chicago, 1980), the total was 482,062.

[7] Analysis of how the "archaic" character of German political leadership on the eve of the war helped to precipitate the catastrophe has become standard among German historians since Fritz Fischer pioneered this approach with his famous books, *Griff nach der Weltmacht* (Düsseldorf, 1961) and *Krieg der Illusionen* (Düsseldorf, 1969) translated as *Germany's War Aims in the First World War*, (London, 1967) and *War of Illusions: German Policies from 1911 to 1914* (London, 1975).

[8] Paralleling similar failures within the British Isles in such parts as the Scottish Highlands and southern Ireland.

[9] About 4 million persons left Hapsburg lands for overseas destinations between 1900 and 1914. Emigration from Russia's western provinces was about 2.5 million, and from Italy was so massive as to depopulate some southern villages. Reinhard et al., *Histoire générale*, pp. 400-401, gives a table of European emigration showing relevant statistics for the pre-World War I decades.

[10] In Serbia, the Radical party, founded in 1879, set up a rural party machine and agitational network that changed the basis of politics in that country within a decade or so. Cf. Alex N. Dragnich, *Serbia, Nikola Pasic and Yugoslavia* (New Brunswick, N.J., 1974), pp. 17-22. For Bulgaria, see Cyril Black, *The Establishment of Constitutional Government in Bulgaria* (Princeton, 1943), pp. 39 ff.

[11] Nationalism appealed more than socialism to east European peasants and former peasants because it could be interpreted as meaning the dispossession of ethnically alien landlords and urban property owners without infringing peasant property in the slightest. The Serbian Radical Party, accordingly, shed its founders' socialism as it succeeded in gaining peasant support. On socialist beginnings of the Radicals see Woodford D. McClellan, *Svetozar Markovic and the Origins of Balkan Socialism* (Princeton, 1964).

[12] This figure is the remainder when French and British war losses are subtracted from the global figure of 13 million for World War I casualties offered by Reinhard et al., *Histoire générale*, p. 488. Estimates are very loose at best, for record keeping broke down in all defeated countries, and epidemics of typhus and influenza killed many civilians as well as soldiers. Such deaths are sometimes classed as war related, sometimes excluded.

[13] Ibid., p. 573. Margin for error is even greater in World War II than in World War I calculations, if only because more than half the casualties were civilian.

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[14] Cf. Ansley J. Coale, et al., eds. *Human Fertility in Russia Since the Nineteenth Century* (Princeton, 1979); David M. Heer, "The Demographic Transition in the Russian Empire and the Soviet Union, *Journal of Social History* 1 (1968): 193-240: Reinhard, et al., *Histoire générale*, p. 610.

[15] With the exception of Albania and Albanian populations inside Yugoslavia, among whom a Moslem heritage and mountainous habitat combined to preserve traditional sexual and family patterns. Cf. John Salt and Hugh Clout, *Migration in Post-war Europe: Geographical Essays* (Oxford, 1976), p. 13. Political manifestations of the resulting population pressure became troublesome in Yugoslavia in 1981.

[16] About 40 million died in that rebellion; and an additional 8 million Chinese emigrated to borderlands and overseas in ensuing decades. The country's population of about 430 million in 1850 was cut back to only 400 million in 1870 according to Reinhard et al., *Histoire générale*, p. 476.

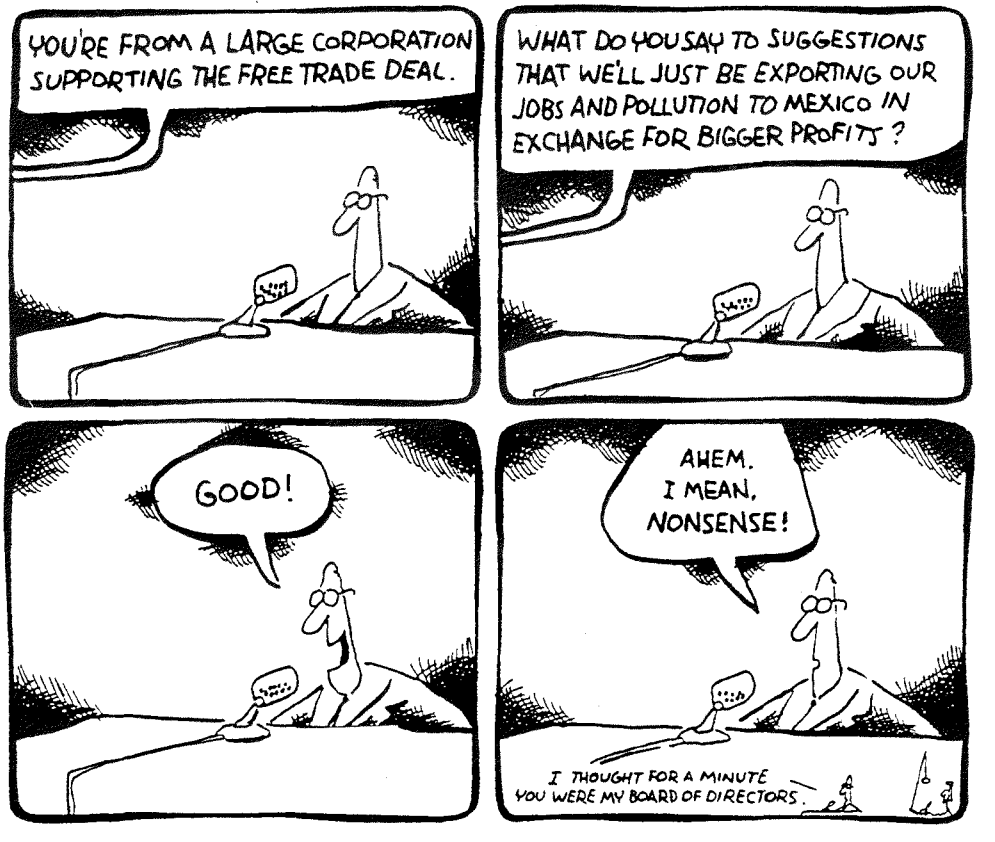
[17] For China Cf. M. P. Redfield, ed., *China's Gentry: Essays in Rural-Urban Relations by Hsiao-tung Fei* (Chicago, 1953).

[18] Japan's population rose as follows:

Year	Total	Increment	Percent
1880	36.4 m.	-	-
1890	40.5	4.1	11
1900	44.8	4.3	11
1910	50.9	6.1	14
1920	55.9	5.0	10
1930	64.4	8.5	15
1940	73.1	8.7	13.5
1950	83.2	10.	14

Source: Reinhard et al., *Histoire générale*, pp. 479, 566, 640.

[19] For Japanese rural population growth and political protest see Takehiko Yoshihashi, *Conspiracy at Mukden: The Rise of the Japanese Military* (New Haven, 1963); Tadashi Fukutake, *Japanese Rural Society* (Tokyo, 1967); Ronald P. Dore, *Land Reform in Japan* (London, 1959); Cyril E. Black et al., *The Modernization of Japan and Russia* (New York, 1975), pp. 179-85, 281; Carl Mosk, "Demographic Transition in Japan," *Journal of Economic History* 37 (1977): 655-74.


YOU'RE FROM A LARGE CORPORATION SUPPORTING THE FREE TRADE DEAL.
WHAT DO YOU SAY TO SUGGESTIONS THAT WE'LL JUST BE EXPORTING OUR JOBS AND POLLUTION TO MEXICO IN EXCHANGE FOR BIGGER PROFITS?
GOOD!
AHEM. I MEAN, NONSENSE!
I THOUGHT FOR A MINUTE YOU WERE MY BOARD OF DIRECTORS.

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Joseph Wayne Smith serves in the Philosophy Department at the Flinders University of South Australia. This essay is chapter 4 of his book, The Remorseless Working of Things — Aids and the Global Crisis: An Ecological Critique of Internationalism.
Copies of the book may be ordered through the editorial offices of ***THE SOCIAL CONTRACT****.*

The Failure of Internationalism

By Joseph Wayne Smith

...let's look at the potholes in the streets. There are potholes all over the civilized world, but is that any reason for setting up a global pothole authority to fix our potholes? Would the pothole in your street be filled sooner if we globalized the problem?

The moral is surely obvious: never globalize a problem if it can possibly be solved locally. It may be chic but it is not wise to tack the adjective global onto the names of problems that are merely widespread — for example, "global hunger," "global poverty," and "the global population problem."

We will make no progress with population problems, which are a root cause of both hunger and poverty, until we deglobaize them. Populations, like potholes, are produced locally, and, unlike atmospheric pollution, remain local — unless some people are unwise as to globalize them by permitting population excesses to migrate into the better-endowed countries. Marx's formula, "to each according to his needs," is a recipe for national suicide.

We are not faced with a single global population problem but, rather, with about 180 separate national population problems. All population controls must be applied locally; local governments are the agents best prepared to choose local means. Means must fit local traditions. For one nation to attempt to impose its ethical principles on another is to violate national sovereignty and endanger international peace. The only legitimate demand that nations can make on one another is this: "Don't try to solve your population problems by exporting your excess people to us."[1]

* * *

What every progressive nation wants from others is ideas and information. But ideas don't have to be wrapped in human form to get them from one place to another. Radio waves, printed documents, film and electronic records do the job very well indeed. There is no need to risk the civil disorder that can so easily follow from mixing substantial bodies of human beings in the same location, when these beings bring with them passionately held beliefs and practices that are irreconcilable with those of the receiving nation. ...

Diversity is the opposite of unity, and unity is a prime requirement for national survival in the short run. In the long run, beliefs must be susceptible to change, but massive immigration is a dangerous way to bring about change in ideas and practices.

To nurture both unity and progress a double policy should be embraced: great diversity worldwide; limited diversity within each nation.[2]

Internationalism

Various attempts at a solution to the cluster of problems contributing to what has been called the "global crisis" have been proposed, all involving some form of "high tech fix"[3] or an attempt to reconcile economic growth with environmental conservation. We have seen that these strategies are failures. The situation is indeed a grim one. As Harwood has argued,[4] despite good evidence that humanity is hurtling towards the precipice of ecological collapse[5] and the 80-90 per cent of the population of Australia, for example, are "very

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concerned" about the environment, 80-90 per cent of the population still support the two party system. He notes that when either of these two parties are in power, they typically take environmental action only after a catastrophe. Yet to seriously deal with the environmental crisis requires making a political U-turn. But it is time to admit that this won't happen: "Given forty-five years' support for mutually-assured destruction, it is utterly unrealistic to suppose that the prospect of irreversible global warming in the next century will radically alter current voting trends in time to break the fossil fuel cycle."[6] Indeed, none of this should be surprising if we are, according to Ornstein and Ehrlich, biologically programmed to respond to immediate *local* threats rather than *global* threats.[7] If *global* action is needed to save humanity, then surely we are doomed. But the problem here is an epistemological one. Why should effective strategies for survival be based upon *global consciousness*? If there is a dominant ideology in the world today, it must be the ideology of *internationalism, globalism* or "one-worldism." This is the philosophy of international capitalism and global financial alchemy, of transnational technocracy and global hyperactive programmed capitalism[8] — but also of international socialism and environmental consciousness. Let us explore this issue in more depth. Within it lies the secret of our survival.

"The position of internationalism or globalism is a common characteristic of green/ environmentalist thought."

Henderson, a notable environmentalist, sees economic management questions as based upon "outdated concepts of national sovereignty."[9] Marien also laments that "as globalism proceeds, the countervailing force of national and sub-national identity remains perhaps as strong if not stronger than ever" and in particular, poorer countries "are likely to embrace nationalism or regional self-reliance as an alternative."[10] J. Porritt in *Seeing Green: The Politics of Ecology Explained*, sees the need for renewed internationalism to achieve a "new international economic order."[11]

The position of internationalism or globalism is a common characteristic of green/environmentalist thought. In particular internationalism or globalism is often adopted as a consequence of acceptance of the limits-to-growth position.[12] For example, *Mankind at the Turning Point: The Second Report to The Club of Rome*[13] rejected "narrow nationalism" claiming "*Global issues can be solved only by global concerted action*"[14] and by the development of "world consciousness." This would involve "a new world economic order and a global resources allocation system."[15] This would seemingly require in the long term a world government, but the Report denied that: "Diversity of tradition and culture, a feeling for one's own place under the sun, is essential in order to mobilize the moral strength surely necessary for the required magnitude of change."[16] No attempt was made to show how this was consistent with the emerging new world order and global consciousness.

The third report to The Club of Rome, *Reshaping the International Order*[17] looked forward to the creation of a global "humanistic socialism" based on "universal human values."[18] There needs to be a "voluntary surrender of national sovereignty"[19] for the pooling of all the world's resources, material and non-material, for effective management of the world economy. Citing the example of French nuclear tests in the Pacific violating Australia's sovereignty,[20] this report, while recognizing the need for self-reliant development, points out that for national sovereignty that what is required is "the progressive internationalization and socialization of all world resources — material and non-material — based upon the 'common heritage of mankind' principle."[21] This conclusion, needless to say, does not validly follow from its premises. This same theme of "one-world or no world" is repeated in *Goals for Mankind*[22] and *Our Common Future*.[23] The ABC's Radio Australia beams to the Pacific and Asia a weekly "environment" program call "One World" which carries the same sub-text as the above examples.

The Brandt Commission report, *Common Crisis*,[24] contained in summary many of the demands made by the South for the establishment of a "New International Economic Order."[25] The report launched a savage attack against protectionism and proposed the following: that official debt be waived for the

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least-developed countries, and an international revenue generation system or income tax be implemented; the elimination of tariff and non-tariff barriers; the world control of the production and distribution of foodstuffs; and the creation of a World Central Bank and international control of a new international reserve currency. These are centralist polices of *enormous significance to the sovereignty of nations*.

The New International Economic Order (NIEO) was first raised at the second summit meeting of the nonaligned countries at Cairo in October 1964. The first concrete demand for the NIEO was at the Algiers Nonaligned Summit which adopted an *Economic Declaration* and an *Action Program of Economic Cooperation*, which called for a special U.N. session on North/South problems.[26] Every Nonaligned Summit since then has stressed the need for a NIEO. But the first formal international recognition of the need for a NIEO at the U.N. was during the Sixth Special Session of the U.N. General Assembly. On May 1, 1974 the *Declaration on the Establishment of the New International Economic Order* and the *Program of Action on the Establishment of a New International Economic Order*, were adopted with majority support. The idea was to establish a new world order based upon equity, interdependence, common interest and cooperation, for the present international economic order was seen to be in direct conflict with the interests of the developing world. Important proposals were made about the reduction of armaments, the end to mass hunger and poverty, that industrialization endangers the global environment and that population growth endangers the environment and threatens the survival of future generations. However, proposals were also made for a rapid industrialization of the Third World and the end of protectionism.

These objectives were given strong assertion at the Second General Conference of UNIDO held in Lima in 1975. There the target set for the share of developing countries in world industrial production by the end of the century was to be up to 25 percent. To achieve this there would need to be a net transfer of technical, financial and capital resources from the developed countries to the developing countries. There should also be a progressive elimination of tariff and non-tariff barriers and other obstacles of trade, and the adoption of trade measures designed to ensure increased exports of manufactured products from the developing to the developed world. Further, structural adjustments would be required within developed countries encouraging "their industries which are less competitive internationally to move progressively into more viable lines of production or into other sectors of the economy," with "redeployment of the productive capacities of such industries to developing countries."[27] The consequences of this are enormous as Corea notes:

> *The realization of a target of this magnitude has major implications for the pace and pattern of industrial development in the developing countries in the period ahead. It implies that industrial expansion will accelerate from the rate of some 6-7 percent per annum attained during the 1960s to about 10 percent per annum in the next twenty-five years. Such a rapid expansion must be accompanied by changes in strategies that pay attention not only to the volume of industrial output but also to its structure and content, with particular emphasis on meeting the essential needs of the mass of consumers. These changes must seek to overcome past deficiencies and ensure that industrial development contributes more directly to the relief of such major social problems as widespread poverty and unemployment. They must also seek to exploit to the full the potential linkages between agriculture and industry, so as to ensure that growth and development in the different sectors of the economy are mutually reinforcing. Above all, they must make a massive contribution towards enhancing the technological capacity of the developing countries and the technical and managerial skills of their peoples. The rapid and accelerated expansion of industrial capacity will have major implications for the transfer of technology to developing countries and the growth of their technological self-reliance. On the one hand, it will generate an increasing demand for technology, while, on the other, the resulting diversification of the structure of production could contribute to the process of creating a self-reliant technological base.*[28]

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The absurdity of such a proposal is easy enough to see. As Mesarovic and Pestel note, if "an economy grows at a 5 percent annual rate, it would, by the end of the next century, reach a level more than 500 times greater (or 50,000 percent higher) than the current level."[29] Supporters of NIEO have not explained how this is consistent with their assertion that industrialization endangers the environment. Nor, for that matter, have supporters of the NIEO, reconciled their endorsement of *national self-reliance* (that each nation do as much as it can for itself)[30] with the obvious centralizing tendencies of many NIEO proposals. This issue will be discussed in more detail below.[31]

"The creation of an integrated world system has led many intellectuals to support the creation of a world government."

Other arguments in support of globalism have a more sociological or politico-philosophical flavor, seeing humankind as a species-community, and advocating world citizenship whereby the entire world becomes a single "place."[32] The situation today, is much the same as that described by Polybius in his *Universal History* in the second century BC with respect to the rise of the Roman Empire: "Formerly the things which happened in the world has no connection among themselves ... But since then all events are united in a common bundle."[33] The creation of an integrated world system[34] has led many intellectuals to support the creation of a world government. Within classical social theory we find Saint-Simon with a vision of the creation of an integrated Europe and ultimately of global socialism; Comte with a vision of global citizenship; Kant advocating an international order involving mutual regulation; Hegel embracing universalism in his theory of the evolution of World Spirit, where the history of the world is the development of the idea of Freedom; Marx condemning nationalism as a reactionary force; and Weber expressing a vision of global rationalization and the de-mystification of the world to produce a single rationality.

H.G. Wells in *The Open Conspiracy*,[35] published in 1928, also supported the concept of a world government, and by 1933, in *The Shape of Things to Come*, he had become desperate, arguing that intellectuals should seize control of the world by force. However, by 1945 in *The Mind at the End of its Tether*, Wells had concluded that all was hopeless and that there was no way out of the impasse. Norbert Elias in volume 2 of *The Civilizing Process*, published in 1939, wished to see a worldwide monopoly of physical force for the "pacification of the earth," a world government. However, by 1985 he believed that this was unlikely.[36] Lewis Mumford, while being a sharp critic of modernity, advocated the creation of a "world culture," where the "destiny of mankind" will become "one," "expressed in a world government that will unite nations and regions in transactions beyond their individual capacity."[37] None of these collectivists however is a match for the metaphysical holism of Pierre Teilhard de Chardin who wrote about the formation of an organico-social, super-complex field, a "noosphere," connecting us all. This thesis has been taken up by the "new age" writers, some of whom have positions at the United Nations.[38]

Carroll Quigley in his *Tragedy and Hope: A History of the World in Our Time*[39] offers an interesting interpretation of history which supports the idea of the emergence of a new world order consisting of a Universal Empire. Civilizations tend to pass through a common life cycle. The civilization is born and expands in power and size until a "crisis of organization" develops. If the civilization survives the crisis, it becomes stabilized until internal crises again occur. This time, Quigley says, "there appears for the first time, a moral and physical weakness which raises ... questions about the civilization's ability to defend itself against external enemies."[40] The result of this internal conflict is typically catastrophic: "weakened by loss of faith in its older ideologies and by the challenge of newer ideas incompatible with its past nature, the civilization grows steadily weaker until it is submerged by outside enemies, and eventually disappears."[41]

Western civilization is different from this pattern insofar as in many past civilizations, the Age of Expansion was followed by an Age of Crisis and then by a period of Universal Empire, where a single political unit ruled the whole of civilization. The Age

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of Conflict is a period of declining expansion of power and size, of growing conflicts and internal tensions, of violent imperialist wars and growing irrationality and otherworldliness. The Age of Universal Empire arises by the triumph of one political unit in the imperialist wars. The West itself did not pass to a stage of Universal Empire, but was able to reform itself and continue expansion. However, if previous arguments in this book are correct, physical expansion of capitalism is not possible, bar the colonization of other planets. Hence if Quigley's theory is correct, the West should enter into the Age of Universal Empire — or else disintegrate. A number of intellectuals and elites would seem committed to the former position.

Zbigniew Brzezinski, the first Director of the Trilateral Commission, noted in his 1970 book *Between Two Ages*[42] the emergence of transnational elites, business people, intellectuals and public officials, constituting a "global community," who make extensive use of a global information grid. Ultimately a community of nations will emerge embracing the Atlantic states, the advanced European Communist states and Japan. However, in less than twenty years, intellectuals and business elites have looked beyond even this trilateral vision. Robert Reich, in *The Work of Nations*, sees more radical transformations occurring in the world order:

> *We are living through a transformation that will rearrange the politics and economics of the coming century. There will be no* ***national*** *products or technologies, no national corporations, no national industries. There will no longer be national economies, at least as we have come to understand that concept. All that will remain rooted within national borders are the people who comprise a nation. Each nation's primary assets will be its citizens' skills and insights. Each nation's primary political task will be to cope with the centrifugal forces of the global economy which tear at the ties binding citizens together — bestowing ever greater wealth on the most skilled and insightful, while consigning the less skilled to a declining standard of living. As borders become ever more meaningless in economic terms, those citizens best positioned to thrive in the world market are tempted to slip the bonds of national allegiance, and by so doing disengage themselves from their less favored fellows.*[43]

The themes of the dissolution of nationalism and the creation of a "borderless world" are developed further by Kenichi Ohmae in *The Borderless World*.[44] But this fate is usually reserved for Anglo-Celtic nations, not Asian nations. Kotkin and Kishimoto recommend a rapid Asianization of Anglo-Celtic countries and America with the passive acceptance of massive Asian migration.[45] (They do not recommend the mass immigration of millions of Americans, Australians and Third World people to Japan.) Of course, any opposition to the swamping of these countries by this tidal wave of migrants is seen as "racist" by a fifth column of internationalists in the host countries, for to be ideologically sound in Canada, Australia and the U.S. is to long for the passing of one's own dominant cultural heritage. Japanese, Chinese, Indians and Africans typically do not act in this way, but this is no excuse for slackness or self-interest on the part of those who aspire to the pinnacles of political correctness. They have a holy mission: to expose the sins of the West, before quietly passing out of existence with their dying culture to take their place with the gods in a multicultural heaven.[46] But they are not the *cause* of the globalization of their countries, let alone of the world. They are the symptoms of a more deadly disease.

"The erosion of national sovereignty and the creation of a global culture is largely the product of economic and technological forces."

Many have speculated that the internationalization of the world and the breakdown of national sovereignty is the result of some form of *global conspiracy*. Now as we have seen, there are certainly many intellectuals and elites working for an internationalist agenda because the pay and conditions are good, but it is incorrect to speak of *conspiracy* in this matter for their agenda is not hidden and information is readily accessible to those who wish to inquire into the nature of this matter.

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Indeed if there was a conspiracy, we wouldn't know about it!

The erosion of national sovereignty and the creation of a global culture is largely the product of economic and technological forces.[47] Herbert Schiller[48] has pointed out that the dollar value of the economic activity of the leading transnational corporations, exceeds the entire GDP of many of the world's nations. Communications and information technologies have been of vital importance to the growth and maintenance of the transnational corporations' centrally controlled empires, supplying international information transfer through computer-to-computer communications systems. This power, and the centralization of economic might, have directly contributed to the erosion of national sovereignty — the capacity of a nation to make policy-decisions reflecting *internal* interests. Schiller points out that while this is primarily a structural outcome of the process of transnationalization, spokespersons for the transnationals do what they can to discredit ideologically the concept of national sovereignty. The reason for this is that in principle, national sovereignty, in the form of economic nationalism, is a force that places a limit upon capital's freedom to pursue profits without restriction. Governments in the past have made decisions to protect "vulnerable" elements of the population, such as the young, the unemployed and the aged, which have not been consistent with unrestrained capital accumulation. These measures of protection and equity are under threat as the power of transnational corporations to make resource allocation decisions grows — along with their ability to escape national jurisdictions. As Schiller notes: "With the existing means of communications, capital can, with relative ease, shift production from one site to another and play off one (national) group of workers against another. The outcome of these tricks is job insecurity, lower wages all round, and increased transnational corporate profits and authority."[49]

The ability to shift capital, data and production across national borders effortlessly, undermines economic nationalist attempts to protect home industry and the domestic economy.[50] The internationalist Maurice Estabrooks in *Programmed Capitalism: A Computer Mediated Global Society*, recognizes this in these words:

> *The essentially free and uncontrolled flow of investors' and speculators' capital across national borders now represents a force over which few if any national governments have any control. Central banks and national governments are in a position whereby they are forced to look for new ways to accommodate and cope with this new world. They no longer have the discretionary - fiscal and monetary power they once had, and they cannot operate as they have in the past to pursue and achieve their previous noble social and economic objectives. Instead of activist policies, they are forced to take reactive policy measures.*
>
> *The rise of the computerized global infrastructure even jeopardizes the power exercised by national governments through their ability to tax their citizens and their businesses. Global invisible money, capital, wealth, and other factors of production are highly mobile and know no political or geographic boundaries. They move to political regimes where their rate of return is highest and at the least risk. They put governments in a position of having to compete with one another for tax revenue, investment, and growth.*
>
> *National governments no longer have the effective control they once had over domestic investment, employment creation, and economic growth. They no longer can control exchange rates and interest rates in the ways they did in the past. The best they can do is coordinate what power they have left over the thousands of individuals, traders, institutions, and corporations that are playing their games, doing business, investing capital, and speculating in the global computer-mediated marketplace."*[51]

Toffler in *Powershift: Knowledge, Wealth and Violence at the Edge of the 21st Century*,[52] carries this scenario through to its logical conclusion. Multinationals *are* non-national global corporations that have no loyalty to any nation. There is no reason why these "global gladiators" will not obtain their own armies to back up their economic muscle. If we take this scenario even further, there is nothing to

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prevent in the 21st century, the emergence of one giant super-super-corporation, controlling the entire world's production, and ultimately, wealth, supported and defended by high technology computer robotics and advance weaponry. It would constitute effective world government by the backdoor.

Against Internationalism: The Diseconomies of Scale

So much then for an outline of internationalism. There are many arguments that can be advanced against internationalism to demonstrate its unsatisfactoriness. Internationalism and globalism seem to many irresistible — it is therefore worthwhile to offer a concise outline of critical arguments against these positions.

The first main class of arguments against internationalism and globalism is a series of organization- and systems-arguments based on the diseconomy of scale. Berry has given a concise non-technical summary of this argument in the following words:

> *We are not smart enough or conscious enough or alert enough to work responsibly on a gigantic scale ... In making things always bigger and more centralized, we make them both more vulnerable in themselves and more dangerous to everything else.*[53]

Some arguments supporting this view have been given by Elgin.[54] For there to be one world, there must be organization, and at this scale, this is impossible without a bureaucracy. But as a bureaucracy grows past a threshold of size, a spectrum of complexity and a margin of interdependence, various effects are observed: (1) the bureaucracy becomes increasingly difficult to manage and comprehend because the rate at which problems arise exceeds the rate at which knowledge is produced to solve them; (2) constituency participation in the bureaucracy will diminish; (3) the constituency's access to leadership will decline, resulting in a failure of any form of representation; (4) the costs of coordinating the bureaucracy grow at a rate disproportionate to increases in size after some threshold of size; (5) the variety and diversity of constituents interacting with the bureaucracy are reduced; (6) the level of alienation and depersonalization will increase; (7) the number and significance of unexpected outcomes of policy decisions, which could be highly adverse for many will increase, because increased size results in an increase in the complexity of problems; (8) bureaucracies become increasingly rigid and inflexible; (9) the creativity and diversity of policy responses will decline; (10) the legitimacy of leadership will decline; (11) the vulnerability of the bureaucracy will increase and (12) the effectiveness of the performance of the system will decline.[55] The common denominator to all of these problems is *scale*. The law of diminishing returns can be applied to *scale* itself by making scale the variable factor, so that increases in scale of an activity or process, will result in diseconomies of scale, past a certain threshold. As we have seen, the lust for political power and the belief that "bigger is better," will push any attempt to globally govern the world into a diseconomy of scale situation. For example, even with respect to environmental protection, attempts to manage the environment through international agreements to restrict access to the commons have been a failure[56] and time and time again it has been shown that big business and states are ineffectual in protecting biodiversity — it is the local people whose livelihoods depend upon protecting their local environment, that have the most concern about conservation of their locality.[57] What is the world but a system of localities?

Against Internationalism: The Fear of Centralization

The second major problem with internationalism is one that all centralization doctrines have faced since the time of Plato: who controls the controllers?[58] In the case of super-powerful entities such as a reinvigorated United Nations flanked by American military muscle, there is of course no external force apart from a disintegrating Russia capable of regulating it — and even then, only by mutually assured destruction. The following account of this fear of centralized military power comes from a *Time* magazine description of the concerns of many Third World countries about the creation of a new world order:

> *Tell it to the Marines — or rather, tell it to a world that is prey to worries about where the U.S. Marines might go next. The great majority of nations that remained dubious about the Gulf War, if not actually hostile to*

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tend to suspect Bush of bolder designs. In the most critical view, the new world order carries the ring of a metallic tread, the flash of an electronic eye and the wind from a sudden whirl of high-tech weapons. It conjures up an amplified voice advising overly independent countries to face the wall and assume the position. By no means have all the governments entertained such extreme fears, nor can very many sympathizers with Saddam Hussein's exploits be found outside the Arab world. But whatever the Iraqi dictator's sins, large numbers of people on every continent discount the idea that the Gulf War exemplified a moral ascendancy in the making. To them, NWO [New World Order] is code for U.S.A., and "collective security" translates into American as "Globo-Cop."[59]

It is important to note here, that the killing of 250,000 Iraqi people by high tech weapons was done by America, Britain, France and other nations with the U.N.'s authorization. In the Western world today, this is equivalent to being backed by God. There is no doubt that if Saddam Hussein had obtained nuclear weapons perhaps even more lives would have been lost. Yet the Gulf War did not remove Hussein or solve the problem it was said to address, and two years later the same problem exists. The point to be made is that if the West was right about Hussein, surely there could have been an alternative method of neutralizing him, other than by blasting Iraq in a high tech turkey shoot. It is ironic that the Left of the Australian Labor Party, supported the action of sending Australian forces to the gulf on the grounds that it was "just" to go to war for the "new world order" and to strengthen UN power. None of those people, who mouth such phrases as "anti-racism" and "multiculturalism" and talk constantly about the guilt of the White Australia policy, seem to have much of a guilt complex about the loss of Iraqi life. Their hearts may bleed for 250,000 Asian business migrants who do not come to our shores, but not for 250,000 Iraqi dead. Of course this has nothing to do with "racism" — if the gulf war was sanctioned by the UN, it could hardly violate human rights, could it? The philosophical point to be made here is that all power corrupts and absolute power corrupts absolutely. A centrally controlled world is one where the controllers are not merely likely to be "corrupt" but one where democracy and freedom will not be able to survive — if you make a problem large enough and involve a sufficiently large number of people in the solution of it, then you guarantee that the one problem soon fragments into a thousand insoluble problems.

Against Internationalism: It Simply Does Not Work

The third and most telling criticism that can be made of internationalism is, simply, that it does not work and, indeed, cannot work. The evils of the human condition, the mess and strife of life are such as to prevent any such ideal being achieved, even if it was desirable. Hardin has noted that the world-state would in time disintegrate as "intragroup competition would be certain to shatter a single all-inclusive group."[60] With the breakup of the Soviet Union, rising ethnic conflict and warfare in Yugoslavia, and an emerging Islamic unification consciousness in Muslim societies, we can see how difficult it is to unite even a part of the world, let alone the entire world! We are not one world; as humans we share the same biology, but that is about all. This is the grim lesson which has destroyed most systems of social philosophy. It is time to heed its call.

"...no solution is possible to the global crisis."

But where does this leave the problem of the global crisis — of over-population, AIDS, the resurgence of diseases, and of ecological threats and disasters? The above reasonings lead me to conclude that no solution is possible to the *global* crisis. This is not to say the world is therefore doomed. In fact, our only hope lies with a decentralized approach: developing a nationalist and a localist perspective. I have outlined this position in detail in *The High Tech Fix.*[61] This approach is not free of troubles, nor is it perfect, but it is less problematic than internationalism. Most of the growth strategies which stand to threaten the environment, such as the industrialization of China and the consequent use of vast coal reserves, are intimately linked with being part of an international economy and one world — and global

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capitalism itself must either expand or die. Creation of a self-reliant conserver society would go much further along the road of achievement of ecological sustainability than the internationalist strategies considered above.

Indeed, it may well be that we are already approaching the "lifeboat" situation described by Hardin[62] where not every country can survive. In this case, the way of internationalism is the way of death. It is better that some survive than none, it is better that some survive even for a little while longer, than for us all to go together in one united ball of misery. However, if it is possible to decentralize the world, to reverse globalization, to develop local self-reliance, this stark conclusion, which is almost certain to grip us on our present course, is likely to be avoided. The creation of a decentralized self-reliant, conserver group of nations and locales, with tight immigration restrictions, would force each locale to live within its means and to deal with its population, AIDS and disease problems — or perish. Nothing, it is true, would prevent war in such a world, but nothing prevents war now. Human survival, in short, requires people developing a sense of place, a sense of culture, a sense of one's roots. The conclusion of this inquiry must be that the centrifugal force which allows us to go out and meet world problems also give us, at the same time, the benefit of centripetal energy — a return to the center of what we are individually and collectively as part of a national group. Thus, instead of a slavish *dependence* on "one world" concepts trying to solve all problems for all peoples, there is engendered a resolute *independence* at the local level dealing with regional crises as they arise. This would still allow for *interdependence* at those times, if and when it becomes necessary, for a wider co-operative effort to be made on a global scale, while giving us at the local level, freedom from the multicultural tyrannies of "one world," "open borders" and "the new world order." ■

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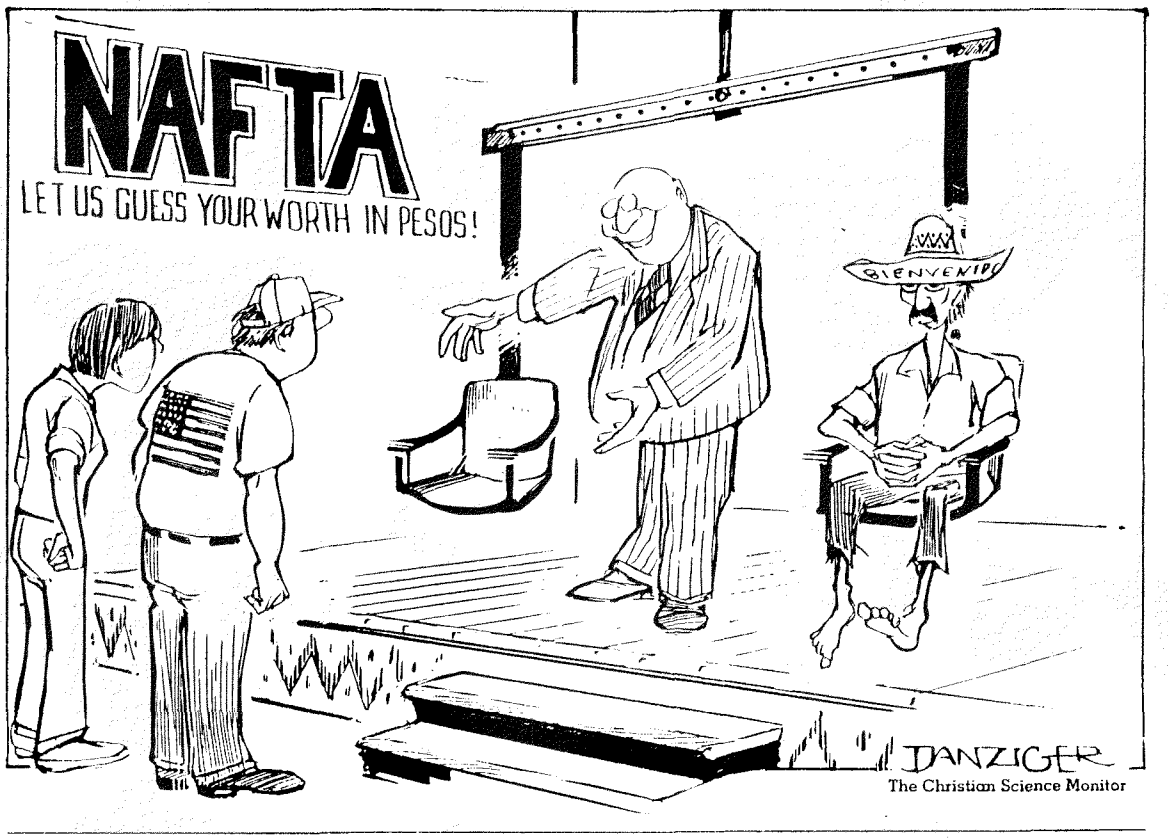

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Demons On the Loose

A Book Review by John Tanton

PANDAEMONIUM
By Daniel Patrick Moynihan
New York: Oxford Univ. Press, 1993
220 pp., $19.95

Senator Moynihan is out ahead of the pack once again. Or perhaps he's off at right angles to the herd, or even running 180 degrees to it. It's the direction of the stampede that is hard to follow, not Moynihan's. Ethnicity, he believes, is primal, it trumps other less powerful groupings such as class, and is enduring. And it provides a powerful analytical tool for understanding human history.

In an extended introduction to *Pandaemonium*, Moynihan wrestles with definitions. A nation (following Walker Connor) is "'a group of people who *believe* they are ancestrally related. It is the largest grouping that shares that belief.'" A nation-state is "a nation matched with a territory." While not explicitly defined, a state is apparently a geographic area where various nationalities (and/or languages and religions) are cooped up together within a political boundary.

Moynihan then considers in detail the rising tide of ethnic conflict *within* many of the 170 or so states of the contemporary world. The United States is not exempted from this examination. Recollecting his joint authorship with Nathan Glazer of *Beyond the Melting Pot* (1963), he writes:

> *Nor for a moment do I think of ethnic conflict as something that happens elsewhere.* Beyond the Melting Pot *was an account of real, if contained, conflict. A third of a century later, the social condition of American cities is hugely deteriorated. We have just, as I write, suffered our worst urban riot in a half-century. A riot with a difference, new yet old. Asians were among the principal victims of violence against property. The current small-arms fighting in American cities is bound to escalate in terms of both weaponry and of aggression against whites; a role reversal, but the same drama.*

Hence the book's title. It comes from Milton's *Paradise Lost*, in which *pandaemonium* was the capital of Hell. Dissecting the roots of the word, we find it to mean a "place of all demons."

Concerning the present world political situation, Moynihan states explicitly that "much of the present was foretold" but no one would pay attention. The means of foreseeing the future? Ethnicity as a discipline, which is the title and content of chapter one.

"Moynihan argues that rather than ethnicity quietly vanishing from the sociopolitical landscape, just the opposite has happened."

In this chapter, the Senator describes the *fin de siècle* view of liberals and Marxists alike that ethnicity would fade as either liberalism or socialism gained sway. This view lasted until mid-century. Moynihan argues that rather than ethnicity quietly vanishing from the sociopolitical landscape, just the opposite has happened. In fact, "the ethnic perspective can lay claim to some predictive power." Further, "an ethnic perspective made it possible to forecast the breakup of the Soviet Union with some accuracy."

He then notes how he and a few others started — about 1980 — to predict the collapse of the U.S.S.R., precisely because it was a "state" and not a "nation." That is, it was a concoction of nations, imprisoned in an empire.

A substantial part of this chapter is devoted to reviewing how the accumulating evidence for an ethnically induced breakup of the Soviet Union was largely ignored. Moynihan also makes an initial excursion into a *bête noire* of his: government

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policies that reward ethnicity, i.e., affirmative action. He returns to this later, with fervor.

Moynihan then moves to what he considers one of the great political blunders of our century, namely Woodrow Wilson's "self-determination of peoples." In chapter 2, he explains how this new principle of international relations was thoughtlessly formulated by Wilson, and how it eventually made its way into Article I, Section 2 of the UN Charter. The principle immediately raises the definitional question of what constitutes a "people" and how this is to be ascertained and validated. It militates against the concept of various "peoples" getting along with one another within a political state, and puts forth the notion that each identifiable group should be able to rule itself, on its own territory.

"...minorities not infrequently seek self-determination for themselves in order to deny it to others."

By one estimate, there are 6,170 languages in the world, many of them defining a people or a culture. Walker Connor again: there are "just seven homogeneous states with no border problems — Denmark, Iceland, Japan, Luxembourg, the Netherlands, Norway, and Portugal, accounting in all for less than 4 percent of the world's population." It looks as if we are in for a rough ride if the self-determination of peoples is the basic principle.
Nor is North America free of separatist movements. Regarding Puerto Rico, Moynihan writes:

> *Just now, for example, the United States government is caught up with the seemingly intractable problem of resolving the status of Puerto Rico. ...Congressional resistance arises largely from the question of whether the island should have the option to choose statehood, whilst retaining Spanish as an official language. In two centuries, the United States Congress has admitted thirty-seven new states to the original union of thirteen. But always a stated or unstated condition was that English be the official language. Louisiana, for example might and did retain the* Code Napoléon, *but trials were to be in English. This position may seem arbitrary, but it is defensible. E pluribus unum.*

Moynihan also states that the U.S. Civil War should have taught us a lesson. "The lesson (is) that minorities not infrequently seek self-determination for themselves in order to deny it to others. *Homo homini lupus.*" That brings to mind the little couplet by Leonard Harman Robbins:

> *How a minority*
> *reaching a majority*
> *seizing authority*
> *hates a minority!* [1]

In the chapter entitled, "National Proletarian Internationalism," the author chronicles the problems that Lenin and the Soviet Union had on the "National Question": how to grant all of those constituent peoples (nations) *de jure* self-determination while keeping *de facto* central control? Moynihan is hard on Marx and his scions:

> *With the 20th century, praise God, coming to an end, it will seem a trifle late and a bit much to pore over yet again the interminable and innumerable tracks of this hardy band of idealists and sociopaths and psychopathic idealists, who so affected the beginning of the century. And yet, there is still something to be learned. Which is that for all it proclaimed a doctrine of internationalism, from the outset communist politics were the politics of ethnicity.*

Throughout the book, Moynihan touches in several contexts on Communism's relationship to ethnicity. He again draws on the work of Walker Connor, who pointed in an October 1969 *World Politics* article, "Ethnology and the Peace of South Asia," to "the communist tactic of destabilizing multi-ethnic regimes by promising self-determination" (p. 155). Further, "Communism in America was largely an ethnic phenomenon" (p. 23). "The emergence of a labor movement in the late nineteenth century, and the advent of socialist and

[1] *Respectfully Quoted: A Dictionary of Quotations Requested from the Congressional Research Service,* Washington D.C.: Superintendent of Documents, 1988, p. xv.

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Marxist parties (this latter was largely the aftermath of immigration from central Europe)..." (p. 31). "A great proportion of American Communists were ethnically 'Russian'" (p. 118). Perhaps the recent immigrant origins of much of the American Communist Left explains in part their opposition to controlling immigration, along with their hopes of still fomenting a revolution by bringing in a proletariat.

He also cites George Will's statement that "'proof of Trotsky's farsightedness' was that even then, years after his death, none of his forecasts had yet become true."

How deep and long lasting are these ethnic and national attachments upon which the U.S.S.R. foundered? Moynihan turns to Aleksandr Solzhenitsyn who "described an 'all-pervading ethnic bitterness': 'From the vantage point today, the more peaceful resolution, and the one holding much greater promise for the future, calls for a decisive parting of the ways for those who should separate.'" He then returns to Walker Connor: "'the vertical category of nationalism has proven far more powerful than the horizontal category of class consciousness.'" Amen.

Chapter 4, "Before the Fall," discusses the efforts to set up political states in the ethnically diverse Middle East at the turn of the century. Shifting his focus to the United States, Moynihan then takes on Emma Lazarus for her "huddled masses" and "wretched refuse" labels, saying that the folk who came were not from the bottom of the barrel and often left behind societies more civilized than the one they joined.

In a passage especially pertinent to current debates on NAFTA, Moynihan observes:

> *There* was *a huge wave of immigrants* [from Europe to the United States at the turn of the century]. *I would expect it was, in considerable proportion, a response to the huge wave of agricultural exports that began to reach Europe once the railroads reached our Middle West. Stanley Lebergott reckons that a third of a million European farms 'in the long arc from England and Denmark through Prussia on into Russia' were closed down by American competition. Wheat acreage in England dropped 40 percent between 1869 and 1887. 'The small capitalist farmers of North America hacked away at the economic base of the ruling land classes in Europe more destructively than all the revolutionaries on the Continent.' The displaced peasantry arrived* [in the United States] *just in time to catch the industrial dynamic that commenced in the Civil War.*

Some are currently projecting that NAFTA (the North American Free Trade Agreement) will displace millions of Mexican corn farmers since U.S. farmers can deliver corn at about one-third the price at which their Mexican counterparts can. Will these displaced farmers follow the model cited above, and end up in the U.S. where today there is little demand for minimally educated and poorly-skilled labor?

"...the vertical category of nationalism has proven far more powerful than the horizontal category of class consciousness."

Moynihan ends this section with a passage from Isaiah Berlin: "'In our modern age, nationalism is not resurgent; it never died. Neither did racism. They are the most powerful movements in the world today, cutting across many social systems.'" Berlin then closed with a lament I've often heard while trying to recruit older people to work on some social cause: "I'm glad to be as old as I am." Translation: "There is no point in my working to avert some problem that will likely not arrive until I'm dead and gone. No sense in planting the olive tree that won't bear for thirty years."

In his closing chapter, "Order in an Age of Chaos," Moynihan returns to the problems inherent in the concept of the self-determination of peoples. "...what is to be the basis of legitimate, political order? The will of the people? Well, yes. But which people?" With the number of states in the world approaching four times the 50 that existed at the turn of the century, Moynihan approvingly quotes James Crawford: "'There is no generally accepted and satisfactory modern legal definition of statehood.'" Moynihan goes on to say, "...when the question arises as to whether an ethnic sub-unit within a state is entitled to self-determination and recognition, the legal complexity grows exponentially."

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The two most populous countries in the world, China and India, are highly variegated. The former "...contains fifty-six so-called National Minority peoples, numbering some ninety million persons..." China has been at pains for decades to make the Mandarin language (that of the Han majority) the official language of the whole country. India has literally hundreds of ethnic groups, and a dozen official languages that may be spoken in parliament (out of more than two-hundred in the country). Moynihan addresses the difficulties of trying to fashion an Indian state out of these many nations.

In his summation, Moynihan, with a nice touch of irony, takes up the question Lenin posed: "What is to be Done?" Clearly one thing he'd like to have us do is develop an ethnic perspective on human affairs. Another is to reevaluate the whole concept of the "self-determination of peoples" and the schism and separatism it both fosters and demands. We need to "reconsider what Reinhold Niebuhr once called 'The Myth of Democratic Universality,' the idea that democracy is 'a universal option for all nations.'"

Coming closer to home, Moynihan writes:

> *The United States will need more than a few of these virtues* [humor and intellect], *and will know more than it has known of grief. Grief of a different kind. We have known the grief of caste-imposed subjection; we must now expect caste retaliation. It is already there on the streets. Insofar as the Lord loves the United States, this otherwise ominous evolution is complicated by the huge immigration of the 1970s and the 1980s. Race — black and white — has been a primal division in American life, but never the sole division. It will now be dissolved further by the vast numbers of new Hispanic- and Asian-Americans (among others), with some surprising role reversals that many of the principals have, as yet, barely noticed. Thus, at any given moment in the last decade of the twentieth century, something like half the ten largest cities in the United States will have a black mayor or a black police chief or both. To the million legal immigrants in New York City (to which add, say, half a million illegal immigrants), this is the "power structure," with all the attendant tensions.*

Moynihan then inveighs against affirmative action as highlighting differences and raising tensions. He concludes by envisioning that: "The challenge is to make the world safe for and from ethnicity, safe for just those differences which large assemblies, democratic or otherwise, will typically attempt to suppress." And: "For the moment, the more pressing matter is simply to contain the risk, to restrain the tendency to hope for too much, either from altruism or from common sense."

Moynihan does not say how to reach these goals. Might not one way of "containing the risk" be to take the pressure off the system by placing a moratorium on immigration, as we did successfully a half-century ago, while we attempt to reach an accommodation among the highly diverse populations that are already here? ■

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Lawrence Harrison is the author of Who Prospers: How Cultural Values Shape Economic and Political Success *and* Underdevelopment Is a State of Mind: The Latin American Case.

John Paul Come Lately

A Book Review by Lawrence Harrison

THE CATHOLIC ETHIC AND
THE SPIRIT OF CAPITALISM
By Michael Novak
New York: The Free Press
200 pp., $25

Michael Novak is one of my favorite thinkers and writers, although we come at issues from quite different directions: he is a committed Catholic, I an agnostic; he usually votes Republican (I think), I Democratic; he is opposed to abortion, I'm not; he thinks population growth generally a good thing, I don't. But we often agree, and that is particularly true of one of the central themes of his new book, *The Catholic Ethic and the Spirit of Capitalism* — his belief in democratic capitalism as the most effective and equitable system for ordering human societies, while stressing that even democratic capitalist institutions will not work well if they don't operate in a cultural/moral environment that respects and nurtures creativity — the engine of human progress — fair play, trust and community.

But I find the principal theme, flowing from the title, much less compelling. Novak argues that the pronouncements of Pope John Paul II — above all the encyclical *Centesimus Annus* — stake out a new direction for democratic capitalism that is likely to lead the way for human progress into the twenty-first century. We might label the papal initiative as "capitalism with a heart," a "new" society that, in the Pope's words, "is not directed against the market, but demands that the market be appropriately controlled by the forces of society and by the state so as to guarantee that the basic needs of the whole society are satisfied." I don't think that's either new or particularly Catholic.

Novak traces Catholicism's acceptance of the "free market" (he notes that even John Paul II is uncomfortable with the word "capitalism") to Pope Leo XIII (1878-1903). In the encyclical *Rerum Novarum* (1891), Leo XIII asserted the right of private property — "[t]o own goods privately is a right natural to man" — and attacked socialism — "[w]hile justice does not oppose our striving for better things, it does forbid anyone to take from another what is his and, in the name of absurd equality, to seize forcibly the property of others..." Leo XIII goes on to say, "[t]hus it is clear that the main tenet of Socialism, the community of goods, must be utterly rejected; for it would injure those whom it is intended to benefit, it would be contrary to the natural rights of mankind, and it would introduce confusion and disorder into the commonwealth."

Although *The Catholic Ethic and the Spirit of Capitalism* focuses principally on John Paul II, Leo XIII's words are a more forthright endorsement of private initiative and have turned out to be prophetic: "If incentives to ingenuity and skill in individual persons were to be abolished, the very fountains of wealth would ... dry up; and the equality conjured up by the socialist imagination would, in reality, be nothing but uniform wretchedness and meanness for one and all..."

"...even democratic capitalist institutions will not work well if they don't operate in a cultural/moral environment that respects and nurtures creativity ... fair play, trust and community."

But, sadly, Leo XIII was a maverick. His successors returned to the traditional Catholic emphasis on the afterlife, charity, and utopian definitions of equality. Novak does highlight Pius XI's encyclical *Quadragesimo Anno* (1931) in which the Pope addressed the question of social justice, and stressed the need to avoid utopianism. While John

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Paul II wove the thread of social justice together with Leo XIII's thread of economic liberalism in his *Centesimus Annus*, the social justice thread was also adapted by John XXIII in his *Pacem in Terris* (1963), setting the stage for the Liberation Theology wing of Catholicism that views capitalism as evil.

There is almost a quality of whistling in the dark in the title of Novak's new book. The right-left debate continues unresolved within the Roman Catholic Church (the U.S. Council of Bishops is particularly unhappy with the pro-capitalist currents in *Centesimus Annus*). Swarthmore's Frederic L. Pryor says, "*Centesimus Annus* is such an open-ended document and it contains so many conflicting criteria and arguments that it can be used as a support for, or a rejection of, most minor or major changes in the economic system that might be considered." Novak himself observes, "if Pope John Paul II in *Centesimus Annus* did not give two cheers for democracy and capitalism, he did give at least one cheer." (Novak may have intended to start this metaphor with three cheers and end with two.)

"...the future, work, education, excellence, frugality, community — are the forces that have produced economic and political success wherever they have operated."

It is a moral/cultural dimension exercised through "civil society" and its associations, not through government, that Novak sees as the important new ingredient that justifies the title of his book. I chose the title for this review believing that the moral/cultural underpinnings for democratic capitalism are not a new Catholic concept but a well-established Protestant, Jewish, to some extent Confucian, and also secular set of values and attitudes that were first suggested by Max Weber early in this century. Those values — the future, work, education, excellence, frugality, community — are the forces that have produced economic and political success wherever they have operated. They form what we might call a universal culture of progress, in contrast with the culture of poverty that Oscar Lewis identified in traditional societies, many of them Catholic.

Having cribbed from the title of Weber's best known work, Novak makes some very important points about Weber, above all the limits of Weber's focus on the Calvinist institutions of "grace," "calling," and "election," the combination of which, in Weber's words, "must have been the most powerful conceivable lever for the expansion of that attitude toward life which we have called the spirit of capitalism." Novak is on the mark when he observes that Weber's greatness lies in his identification of the cultural dimension of capitalism, not the link to Calvinism. But he loses track of some important broader dimensions of Weber's study, and I mention them here because they are highly relevant to my belief that Novak's "Catholic Ethic" has existed for hundreds of millions of non-Catholics for a long time.

For starters: in Weber's study of differences in prosperity and achievement between Protestants and Catholics in the German city of Baden that led to *The Protestant Ethic and the Spirit of Capitalism*, he noted not only that Protestants were more successful than Catholics but that Jews were more successful than both. He pointed to some Protestant — and Jewish — values that were not peculiar to Calvinists: good works as a way of life (in contrast to "the very human Catholic cycle of sin, repentance, atonement, release, followed by renewed sin"); the less paternalistic relationship between the Protestant and Jewish clergy and their followers than between Catholic priests and their flocks; the higher premium that attaches to literacy for Protestants and Jews, if for no other reason than to be able to read the bible; and the greater Protestant and Jewish emphasis on *this* life — and the future in this world — in contrast to the traditional Catholic emphasis on the afterlife and the past.

The Protestant Ethic and the Spirit of Capitalism, written almost a century ago, thus sets a broader stage than Novak acknowledges. But he does note that, in most cases, the success of Protestant societies was not limited to economic dynamism, that what he describes as "spiritual" (I'd prefer "cultural") forces came into play "where ... democratic institutions were powerful, the law was held in high respect, and the religious traditions of Judaism, Christianity, and a certain ethical humanism remained strong. Over the years, the original capitalist countries ... undertook many forms of social reorganization." We should

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note that Confucian east Asia has followed a similar path in the second half of this century — and that Confucius was probably an agnostic.

In sum, Novak's "Catholic ethic" is not new. But it *is* a useful reminder that the Protestant ethic is in disrepair and that the United States is a society in decline. Novak makes some important points:

> *...the only wise and healing path of social justice is to stress those movements, reforms, associations and actions that bring us together, and to avoid encasing in concrete those accidental differences, such as color, that divide us.*
>
> [of the Los Angeles riots] *The young criminals who selectively burned down the successful shops in their own neighborhoods were not merely expressing blind rage, or whatever degree of greed, but also envy. And no other vice is more suited to destroying a free republic!*
>
> *The makers of mass media entertainment bear an enormous moral responsibility for the deterioration of human spirit during the present generation...*
>
> [quoting John Paul II] *A given culture reveals its understanding of life through the choices it makes in production and consumption.*

But in *The Catholic Ethic and the Spirit of Capitalism* Novak adds to my disappointment with his treatment of population, race/ethnicity, and immigration. Consistent with Catholic doctrine, he evinces no concern about population growth anywhere, implying that the earth's carrying capacity is virtually unlimited. He correctly notes the vast strides towards racial equality in the United States in the past forty years but also makes a case for cultural pluralism and a salad bowl view of our society. And, while he points to the displacement of blacks by immigrants in the workplace, he is apparently unconcerned about high levels of legal and illegal immigration.

This is not Michael Novak at his best, as he was in the *Spirit of Democratic Capitalism* and in *Will it Liberate?* ■

Yes You Can — Yucatan

The government of the State of Yucatan, Mexico, has been placing ads in business magazines to this effect:

A shirtsleeved executive is pictured poring over some figures at his desk and is musing: "I can't keep my labor costs down, my turnover rate low, and my standard of living high."

The ad responds: "Yes, you can — Yucatan... where labor costs average under $1 an hour including benefits. And the employee turnover rate is less than 5% a year. We're only 460 miles and 90 minutes by air from the U.S. And you could save over $15,000 a year per worker if you had an offshore production plant here.

"So if you want to see how well you or your plant managers can liver here while making your company more profitable, call for a free video tour of the State of Yucatan at 708-295-1793.

"When the U.S. is too expensive and the Far East too far, 'Yes, you can in Yucatan.'"

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Robert McConnell is professor of geology at Mary Washington College, Fredericksburg, Virginia. He earned his Ph.D. at the University of California, Santa Barbara.

Toward a 'Water Ethic'

A Book Review by Robert McConnell

LAST OASIS: FACING WATER SCARCITY
By Sandra Postel
W. W. Norton and Company, 1992
240 pp., $9.95

Last Oasis is the third book in the Worldwatch Environmental Alert Series, whose author, Sandra Postel, is Vice-President for Research at the Worldwatch Institute. It is refreshing to note that she is also a trained scientist, having studied geology at Wittenburg University. She is thus able to integrate more fully the technical nature of groundwater reserves and management with the social, demographic, and political aspects of global water supplies.

She begins (in an appropriately named chapter, "An Illusion of Plenty") with an engrossing comparison between the lifestyles of inhabitants of two desert communities, each receiving an annual precipitation of about 7" per year—Lodwar, Kenya and Phoenix, Arizona. In Lodwar, children trudge for hours to procure a few liters of water; in Phoenix, golf courses and swimming pools form a striking contrast to the sere, barren hills surrounding the metropolis. The contrast in water use could not be more striking: an "average" family in Phoenix uses almost 800 gallons of water per day, a similar one in Lodwar less than 40 gallons per day—barely sufficient for basic needs of washing, cooking, drinking and rudimentary sanitation.

(I can't resist an aside: as an educator, the data in the book provide numerous examples which would make marvelous "critical thinking" exercises for college and high school students. For example, the Phoenix family's backyard swimming pool loses 25 percent of its water annually from evaporation in the searing summer heat and vanishingly low humidity, an amount which could fulfill the Lodwar family's meager needs for nearly *six months*, based on Postel's figures.)

In the introductory chapter, Postel makes the point that masking water scarcity (as in Phoenix) is a major reason, if not *the* major reason, for mammoth and invariably environmentally degrading, engineering-based water "development" schemes. She then lays out the principal conclusions of the book, each of which is developed and justified in the three following sections.

In Part I, she asserts that development schemes — built to enhance economic "growth," increase agricultural production, and the like — invariably degrade the environment by, among other things, damming streams and thus destabilizing and often destroying riverine ecosystems, by deforesting watersheds and by mining and polluting groundwater. At the international level, they often reduce the security of adjoining nations and thus may lead to regional conflicts, especially in the tinderbox of the Middle East.

"...water development schemes and [the] pricing of water often bear little relation to true cost..."

In Part II, she develops, with well-documented and referenced case studies, the theme that water conservation strategies for agriculture, industry, commerce, and domestic use are always more environmentally benign than mammoth water development schemes, and are almost invariably more cost-effective as well.

And in Part III, "Toward Water Security," she illustrates in a similar fashion how the "economics" of water development schemes and pricing of water often bear little relation to true cost, and discusses the irrationality of water subsidies.

Finally, in the third section, she states and develops a "Water Ethic."

The book is filled with valuable data and important case studies. A few will illustrate:

- By 2000, a third of Africa's population will reside in water-short countries, many of which are

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also among that continent's fastest growing in population. Egypt, for example, receives virtually no rainfall and has one of the world's fastest-growing populations — it is entirely dependent upon the goodwill of neighboring Sudan for water from the upper Nile. It is also one of the major recipients of U.S. foreign aid.

- Saudi Arabia is frantically mining groundwater to produce subsidized wheat, which they could purchase on the world market at one-fourth their own cost of production. They have recently joined the ranks of the world's major wheat exporters.

- Libya is spending much of its oil wealth on a scheme to mine groundwater in the Sahara and pump it hundreds of kilometers to the more populated north. The water supplies are projected to last only 40-60 years.

- China is facing growing water scarcity: at least 100 cities and towns have experienced shortages in the past decade. A third of Beijing's municipal wells are believed to have gone dry. With China's frenetic drive for economic "growth," this shortage can only worsen, and will probably yield two results with ominous repercussions for the planet and the United States. First, the demand is sure to grow for more dams and reservoirs, which will further degrade China's majestic river systems. And second, the numbers of Chinese who will seek to emigrate to the United States claiming "political asylum" may well reach staggering proportions.

In a chapter devoted to water demand in agriculture, the author observes that agricultural production may have peaked worldwide. This suggests that pressure will grow to "develop" nature reserves, migratory wildfowl routes and major wetlands for agriculture to feed the relentlessly growing human population, especially in Africa.

The author describes the impact of water scarcity on regional stability, especially in the Middle East. Postel shows how competition for water among Arab States and Israel, all of which have mushrooming populations, may fuel the next Middle East war. She points out that Turkey's control of the upper Euphrates may pose a similar threat, that Egypt's national security is "entirely in the hands of the eight other countries in the Nile Basin" in the words of once Foreign Minister and now U.N. Secretary-General Boutros-Ghali, and that relations between Bangladesh and India are becoming increasingly strained over the use of the Ganges.

In a significant and hopeful chapter, she illustrates numerous cost-effective water conservation schemes which could alleviate, at least for decades, potential regional water conflicts and depletion of scarce supplies at the national level. Many nations reward water use, however, and penalize frugality, by pricing water far below true cost. For example, California's Central Valley corporate farmers are provided heavily subsidized "federal" water which is often used to grow surplus crops. This has caused, among other things the destruction of the Sacramento Delta-San Francisco Bay's fishing industry, and threatens the entire ecosystem with collapse. The problem can only grow more intense as California's population continues to grow at Third World rates.

"...pressure will grow to 'develop' nature reserves, migratory wildfowl routes and major wetlands for agriculture to feed the relentlessly growing human population..."

And Postel illustrates the significant water savings that are possible with conservation of municipal wastewater. While many nations already encourage using treated effluent to irrigate crops, there are abuses, and at least one has direct implications for the United States. As politicians weigh approval of the North American Free Trade Agreement (NAFTA)

> *...irrigation districts outside Mexico City apply raw sewage from this huge metropolis to their fields. One district in the southwestern state of Hidalgo receives about 3.5 million cubic meters* [over 750 million gallons, greater than the late summer flow of the Potomac River (reviewer's note)] *of raw sewage each day. Although farmers are prohibited from using this water to irrigate crops that are consumed raw, the prohibition is apparently not always respected or enforced. Some vegetables have*

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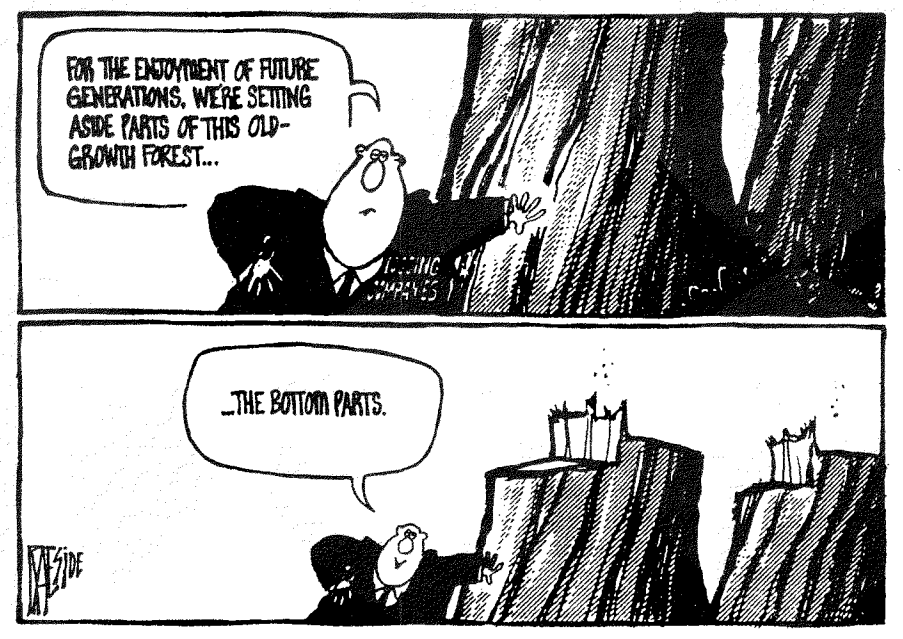
been found to be highly contaminated with fecal coliforms, posing a direct threat to human health.

In a final section, "Toward Water Security," she illustrates how environmental economics, or indeed common sense, is often stood on its head by water development schemes and water pricing. In one of the most telling studies of the book, she points out that Thailand's Ubolratana Dam was completed in 1965, with the catchment area 90 percent forested. But by 1985, forest cover was below 40 percent, due primarily to the resettlement there of people displaced by the rising waters behind the dam! This has naturally accelerated erosion rates, not to mention species loss, such that now the useful storage area and thus the life of the reservoir has been sharply reduced. Such cases are all too frequent, and illustrate the futility and destructiveness of building giant dams and reservoirs. However, Postel notes without comment that construction begins on an average of 170 dams worldwide each year.

Finally, the author suggests that much of the problem with water use is rooted in economics: for example, there is no way in traditional economics to value the environmental benefits secured when water is left *in* rivers. In her words: "[e]conomic incentives and regulations [must be] adopted that promote conservation and efficiency instead of waste and profligacy." But on a larger point, she argues that a great deal of our water problems stem from a "disconnect" between our own destiny and the survival of the "water world around us." Our goal, our "water ethic," should be to make the preservation of water ecosystems central to all human activity. Of course, to do this would ultimately mean a brake on our relentlessly growing global population, and a revision of our notion of "standard of living": it requires, after all, 50 metric tons of water to produce a one metric ton automobile.

Only this preservation, and not efficiency and conservation schemes, will guarantee water security, and thus global security, into the 21st century. ■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LOGGING COMPANIES
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Mr. Swartout is the author of the article starting on page 27. A licensend maritime pilot on the Great Lakes, he is a Phi Beta Kappa graduate in English from Albion College in Albion, Michigan.

Challenging the "Free Trade" Gospel

A Book Review by John Swartout

THE MYTH OF FREE TRADE: A PLAN FOR AMERICA'S ECONOMIC SURVIVAL
By Dr. Ravi Batra
New York: Charles Scribner's Sons, 1993
247 pp., $23.00

"The air," begins a recent editorial in *The Wall Street Journal*, "is thick with hyperbole, invented statistics and insults to the other guy's mother. Congress must be gearing up to debate NAFTA [The North American Free Trade Agreement]. Perhaps, before we get in too deep, it would be helpful to tune out the demogagoguery and listen to what leveler heads say on the central issue here: free trade." And while its conclusion differs diametrically, Dr. Ravi Batra's new book *The Myth of Free Trade* is worthy of the same introduction.

As the emerging controversy over NAFTA focuses the public eye on U.S. trade policy for the first time in recent memory, the free trade doctrine which has guided it since World War II seems targeted for unprecedented scrutiny. Thus Dr. Batra, professor of international economics at Southern Methodist University, offers a timely challenge to what he calls the "economic theology" of free trade — an apt metaphor, since his analysis of how twenty years of laissez faire American trade practices "have wrecked U.S. industry and shattered the American dream" leaves little but blind faith to uphold the gospel of free trade.

With *The Myth of Free Trade*, Batra joins a growing minority of free-thinking economists who have studied history, observed empirical evidence, and ditched the dogma of their mentors to embark on a new economic paradigm. His work is inspired chiefly by the unprecedented reversal in the fortunes of America's middle class since 1973, the year the U.S. opened her markets wide to the world. Yet he also addresses the energy intensity of international trade, citing the adverse impact, both environmental and economic, of *transporting* an ever larger share of the world's production across the globe. And finally, he proposes a novel solution to the economic ills of the nation and its workers: protectionism. Not ordinary protectionism — the kind of selective coddling of powerful monopolies which have the deserved reputation of cultivating shabby quality and high prices — but *competitive protectionism.* A return to high tariffs across the board, a renaissance of trust-busting, and an emphasis on federally-assisted private research and development.

"Batra attributes this erosion in the living standards of most Americans to ... a structural change in the economy induced by the deep tariff cuts of the Kennedy Round..."

Batra presents and analyzes abundant statistics to back up all his assertions. But statistics are nothing without interpretation, and here is where the myth-busting begins. The so-called prosperity of the 1980s, says the author, was "a mirage, a facade, and a big lie." The decade just ended was a continuation of the one before it, a period of rising GDP, rising productivity, rising imports and exports, rising per capita income, *and falling real wages for more than three-quarters of working Americans.* For the first time in the nation's history, wages and productivity have diverged since 1973, dramatically altering the distribution of income in favor of the rich. In fact, almost four-fifths of American wage earners have experienced a 19 percent decline in real wages since 1973. And this is before taxes. After taxes, many workers in the retail trades (16 percent of the work force) are taking home less money than their counterparts in the Great Depression.

Batra attributes this erosion in the living

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standard of most Americans — the deepest and most prolonged in the nation's history — to a structural change in the economy induced by the deep tariff cuts of the Kennedy Round of world trade talks, which took effect in 1973. Until 1970, the United States had enjoyed a practically closed economy for most of its history, with trade accounting for under 14 percent of gross national product. But the drop in the average import tariff to 7 percent in 1973 turned the U.S. into a free trade country and allowed a tidal wave of manufactured goods to pour in from low-wage competitors abroad. Prices for manufactured goods fell relative to prices in the service sector, squeezing margins in manufacturing and causing U.S. corporations to relocate their factories abroad. This process eliminated as many as 38 million high-paying jobs and flooded the low-paying service sector with an oversupply of labor, depressing service wages even further. This macroeconomic shift from an industrial economy to a service economy has also caused overall productivity growth in the U.S. to suffer, because productivity gains in services are consistently less than those in manufacturing.

"The trouble with foreign competition is that most of its benefits flow to foreign workers, multinational corporations, and their top executives."

The constant refrain of free traders is that the lower prices brought about by foreign competition are good for consumers. But Batra points out that this view ignores the fact that the majority of consumers are also wage earners, and the disastrous drop in their income far exceeds the modest fall in inflation. The trouble with *foreign* competition is that most of its benefits flow to foreign workers, multinational corporations, and their top executives. What Batra proposes is to replace foreign competition with *domestic* competition by raising import tariffs to 40 percent, while breaking up domestic firms which control more than 10 percent of market share in any industry. (Even Adam Smith, the patron saint of the free trade school, said monopolies are the greatest enemies of consumers.) This, Batra says, will reverse the deindustrialization of America, stimulate new business formation and job creation, spur continued gains in productivity, and restore the positive link between wages and productivity while keeping prices down.

Batra concedes that this will not be popular with America's trading partners, nearly all of whom have befitted from our self-destructive romance with free trade. But, unlike the trade war launched by the Hawley-Smoot Tariff Act in 1930, when the U.S. was running a healthy trade surplus, a trade war today would only benefit the U.S. Most of the losses would occur in the low-wage, low-productivity service sector and the unprofitable agricultural sector. But the gains would be primarily in manufacturing — the main engine of a nation's prosperity — and our $100 billion trade deficit would vanish.

Batra cites history in claiming that industry, not trade, is the well-spring of prosperity. Contrary to the promises of politicians and economist-lobbyists that more trade means more jobs and higher wages, real wages tumbled in the 1980s while U.S. exports more than doubled and productivity rose 13 percent. Contrast this with the period from 1869 to 1900 when U.S. tariffs averaged 45 percent: GNP and industrial production quadrupled, retail prices fell 37 percent, annual per capita income more than doubled, and real wages rose 50 percent even while the population soared.

International trade now accounts for 25 percent of America's GDP, an all-time high. Yet the promise of free trade has been consistently broken. Why does the U.S. persist in a policy so obviously failed? Batra steadfastly resists the temptation to go on a witch hunt, preferring instead to blame both the absence of a correct theory to replace the anachronism of free trade, and a general misunderstanding of Hawley-Smoot. He does, however, recognize the fact that free trade has been an unmitigated boon to the 5 percent of the population who derive meaningful income from capital, and that they are its loudest cheerleaders.

And what of NAFTA? Batra feels that the proposed free trade agreement "could be the straw that breaks America's back."

History is full of heretics who in retrospect were in fact visionaries. Perhaps, uncomfortable as some may find it today, Batra has something to teach us.■

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Associate Editor Wayne Lutton reviews three new books dealing with the North American Free Trade Agreement.

A Skeptic's Guide to NAFTA

Book Reviews by Wayne Lutton

SAVE YOUR JOB, SAVE OUR COUNTRY:
WHY NAFTA MUST BE STOPPED — NOW!
by Ross Perot with Pat Choate
New York: Hyperion
142 pp., $6.95

FACTS AND FICTIONS ABOUT "FREE TRADE": A READER FOR JOURNALISTS
Don Hazen, editor
Institute for Alternative Journalism
100 East 85th Street, New York, NY 10028
ph.(212) 799-4822; fax: (212) 580-0209
157 pp., $15.00

THE TRADING GAME: INSIDE LOBBYING FOR THE NORTH AMERICAN FREE TRADE AGREEMENT
Charles Lewis, Bill Hogan, et al
The Center for Public Integrity
1910 K St., Suite 802, Washington, DC 20006
ph. (202) 223-0299; fax: (202) 223-6287
108 pp., $15.00

Had Ross Perot decided not to use his resources to help make it a national issue, it seems likely that the North American Free Trade Agreement would have been quickly ratified with little public discussion. As we go to press, the outcome of the ratification battle is very much in doubt. The three volumes considered here provide plenty of reasons to view the agreement, and the accompanying lobbying campaign in support of it, with great skepticism.

Save Your Job, Save Your Country is a readers' guide to the two-volume, 1,100-page tri-lateral treaty. In addition to outlining the provisions of the agreement, the authors discuss the dubious politics behind NAFTA. While Bill Clinton pledged to "reinvent government," there can be little question but that NAFTA is "the ultimate insider deal."

According to Perot and Choate, the current agreement originated not with Mexican, Canadian, or United States interests, but rather with Japanese and European investors who sought guaranteed access to the huge American market, along with increased security for investors in Mexican-based enterprises. Until recent years, Mexico discouraged foreign investment and, like a number of other Latin American countries, has had the unpleasant habit of nationalizing potentially profitable companies. Despite successful efforts to attract outside investment, exemplified by the *maquiladora* program, Mexico remains a poor country with a large and growing population. Its domestic market is simply too small to make it attractive to the sort of large-scale foreign investment the Mexican government has been hoping to encourage.

In June 1990, Mexican President Salinas met with President Bush and urged that the United States, Mexico, and Canada join in a trade and investment-protection agreement. After Bush received congressional "fast track" authority to negotiate in complete secrecy and without congressional participation [representing a questionable "stretching" of Article I, Section 8 of the U.S. Constitution, wherein Congress is granted authority to regulate foreign commerce], the agreement was finally put together and signed by Salinas, Bush, and then-Canadian Prime Minister Mulroney. It awaits final approval by the national legislatures of the United States and Canada.

Upon reading the actual agreement, rather than merely the 44-page official press release, it is clear that NAFTA is concerned less with actual trade than it is about protecting investors and companies operating in Mexico. Even without NAFTA, many U.S. firms will continue to "disinvest" in America by shipping manufacturing jobs to Mexico. But Asian and European interests remain wary of Mexico's investment climate. As the author's emphasize, NAFTA's "principal goal is to assure foreign investors that their capital investments and plans will be safeguarded. ... NAFTA makes Mexico investor friendly — a place where U.S. [and other foreign] companies can operate under lax government

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regulations and with high-quality, low-wage workers kept in line by a tough Mexican government. For both investors and companies, NAFTA is a terrific deal."

The price to be paid for NAFTA will be borne by workers in the U.S. and Canada. In this country, the accelerated loss of manufacturing jobs will especially hurt high-school educated youth and urban minorities. Indeed, increasingly destructive social divisions are among the most likely consequences of NAFTA.

"While no one was watching, U.S. NAFTA negotiators radically revised the nation's immigration laws."

Working-class Americans will not be the only ones to suffer. Buried within the treaty are important provisions opening 63 professional categories to "temporary" foreign workers. Unknown to the general public,"NAFTA forces the United States to eliminate any citizenship and permanent residency requirements for professional service providers, such as doctors,lawyers, and accountants. ... *While no one was watching, U.S. NAFTA negotiators radically revised the nation's immigration laws"* [emphasis added].

Instead of forcing Americans to compete with workers from populous Third World countries, such as Mexico, where wages come to one-tenth the U.S. average, or Bangladesh, where employees earn an average of 15-cents an hour, Perot and Choate outline alternative economic strategies. In the meantime, NAFTA must be rejected.

Facts and Fictions About "Free Trade" is a collection of highly informative articles that have appeared in *Dollars & Sense*, *Harper's*, *Multinational Monitor*, *The Village Voice*, and a number of other "alternative" journals that most of us only rarely encounter. Sections are devoted to NAFTA and GATT (the multi-national General Agreement on Tariffs and Trade, a "super" NAFTA); the impact of the agreement on Mexico, the United States, and Canada; the lobbying campaign waged by Mexico and multi-national business interests; environmental and public health concerns, including the undermining of food safety regulations; the impact of NAFTA on labor conditions; how "free trade" is turning the Third World into a huge labor pool; and a discussion of alternatives to GATT and NAFTA.

Arguments raised by NAFTA proponents are subjected to careful review. Richard Rothstein, writing in *L.A. Weekly* and John Whalen, in *San Jose Metro*, argue that the promise of increased sales to Mexico is an illusion. Mounting population pressure assures that wages will remain low. Aside from food, Mexican consumers simply can't afford very much that is produced in America. Migration pressures will continue as the expansion of industry based in Mexico fails to keep up with its growing population. Until American wages and living conditions descend to Third World levels, North America will remain a magnet for the world's poor.

Some very influential U.S.-based business executives, who use the threat of plant-moving as a bargaining chip in labor contract and tax-authority negotiations, have made it clear that they look forward to the day when American economic conditions do indeed mirror those prevailing throughout much of Latin America and Asia. As Goodyear executive vice-president Stanley Michelick told *The New York Times*, "until we get real wage levels down much closer to those of the Brazils and Koreas, we cannot pass along productivity gains and still be competitive."

The Economist, a British journal that strongly supports NAFTA, admitted that: "Washington's culture of influence for hire is uniquely open to all buyers. Its lawful ways of corrupting public policy remain unrivaled." The extraordinary lobbying efforts on behalf of NAFTA is the subject of *The Trading Game*, a study prepared by the Center for Public Integrity, a Washington, D.C.-based research organization that specializes in considering ethics-related public issues.

Based on an analysis of Justice Department Foreign Agent Registration Act records, congressional and executive branch documents, and hundreds of interviews with participants in all sides of the NAFTA debate, the study confirms that:

- NAFTA is the most expensive foreign lobbying campaign on a specific issue in history, with the Mexican government spending over $30 million to employ an army of Washington lobbyists, lawyers,

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public relations firms, and consultants.

- More than 33 former U.S. government officials, who have held top congressional, White House, and State, Treasury, and Commerce department posts have been hired by Mexico to advise them on the agreement and lobby for its approval by the U.S. Congress.
- Once it was clear that President Bush might not be reelected, Mexico launched a campaign to influence Clinton's thinking. Weeks before the 1992 presidential election, Warren Christopher's law firm was retained by Mexico, and the Clinton Administration includes a number of high-level appointees who have been paid by Mexican interests. Appendices disclose the names of firms and former U.S. government officials working for NAFTA's passage.

NAFTA is a telling example of what William Greider, author of *Who Will Tell the People: The Betrayal of American Democracy* (Simon & Schuster, 1992), has described as "deep lobbying," a "dimension of mock democracy — a system that has all the trappings of free and open political discourse but is shaped and guided ... by the resources of the most powerful interests." Opponents of the treaty have been trivialized and branded as "racists" or paleolithic "protectionists" unwilling to advance into the New World Order. As *The Trading Game* documents, powerful economic and political interests have poured tens of millions of dollars into the campaign for NAFTA. Clearly, there is more at stake here than just "free trade." ■

Scip Garling is "chief cinephile" at FAIR, the Federation for American Immigration Reform.

Two New Movies Resonate With U.S. Cliches About Immigration

Movie Reviews by Scip Garling

Immigration and population control are key elements of two recent movies. The treatment, however, falls far short of being enlightening and underlines the character of the taboos that need to be overcome.

Coneheads is a hilarious comedy based on "Saturday Night Live" skits about conically-skulled aliens from the planet Remulac. Having been stranded on Earth, they make the best of it by adapting to suburban life and raising a family. Much of the humor comes from the fact that the Coneheads' strange appearance and stranger behavior goes unnoticed by their human friends and neighbors.

Someone does notice them, however: an assistant director at the Immigration and Naturalization Service. The comedic plot hinges on his obsessive quest to apprehend the Coneheads, who are, of course, "illegal aliens." We meet this bungling bureaucrat as he is demonstrating a model of his new border control plan: electronic dog-collars for repatriated Mexicans which will electrocute them when they come too close to the border fence. Later, he treats us (and an uncomprehending dinghyful of apprehended Haitians) to a megaphoned monologue on America's unwillingness to be "the employer of the world." When his confirmation hearing as the new director is held up by the discovery that he has spent millions in vain to capture the Coneheads, he brings all the forces of authority to bear on the innocent Remulacians.

Innocent? Well, although they originally came to Earth as part of a failed conquest force, Beldar and Prymaat Conehead have been good illegal aliens. With Beldar working triple-shifts as a cabdriver and fix-it man, and Prymaat frugally storing up "monetary conversion units" and "metallic tender disks" (dollars and cents, that is), the Coneheads have soon opened their own driving school and

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bought a beautiful suburban home. Fully integrated with their purblind neighbors at the mall, the country club, and the block barbecue, Beldar and Prymaat are repeatedly described as "the finest people we've ever known."

Eventually they triumph over the unreasonable assistant director, who foolishly dismisses their positive contributions to society. Even he is finally won over when Beldar rescues him from a hideous death on Remulac. Rejecting their Remulacian connections for the good of their Earth-born daughter, they return to the planet that has become their true home. Thus the virtuous immigrant overcomes the resistance of narrow-minded authorities to adopt and adapt to life in our society.

"The film's pro-natalist message is strident..."

Fortress is also a hilarious comedy; unfortunately, it was supposed to be a science/fiction action film. But at the core of an otherwise laughable movie is a serious theme: the "virtuous" triumph of pro-natalism over population control.

Fortress is set in a dystopian near-future where the United States is beset with overpopulation. By law, each woman is permitted only one birth, after which she is sterilized. The movie begins with hero John Brannick trying to sneak his wife through a militarized crossing station on the Mexican border. She is pregnant with what would be their second child (their first having died in infancy, and her sterilization having been ineffective). After identifying the Brannicks by the citizen barcodes tattooed onto their forearms, the border patrol's embryo-detection devices reveal the forbidden pregnancy. Both husband and wife are imprisoned in the movie's eponymous "fortress," a maximum security prison under the desert. The plot centers around the Brannicks' attempt to escape the nightmarish facility.

The Fortress is run by a near-android prison director who takes the offspring of the captured mothers-to-be and turns them into cyborg prison staff, plugged into the computer security system. Abortion, you see, is illegal (we are never told why) and *something* has to be done with the unwanted children.

The film's pro-natalist message is strident: the selfless and fecund Brannicks eventually outfox the soulless and sterile cyborgs who sadistically enforce population control. Except for crowded prison cells, there are no scenes showing the horrors of overpopulation, so that the draconian policies seem purposelessly cruel. Still, the final shots of our heroes, cradling their newborn in the empty wastes of the lifeless desert, unintentionally suggest the outcome of asserting the untrammeled right to reproduce. ■

The Crisis Has Arrived

The United Nations Population Fund in its latest State of the World Population Report highlights the unprecedented migration of people from poor countries to richer ones and from impoverished rural areas to overcrowded cities. The pressures created by such numbers are called "the human crisis of our age."

The U. N.'s International Labor Organization says that between 1950 and 1990 the labor force in industrialized countries grew by 50 percent, to 586 million people and is expected to grow by another 8.5 percent over the next three decades. But, in poor countries, there has been a 120 percent increase in the labor force since 1950 to 1.8 billion people, with another 61 percent increase expected by 2020. Today's migration of people desperate for work is only the beginning.

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THE SOCIAL CONTRACT

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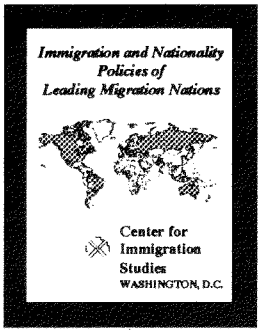

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